



REVIEW OF NCUA'S EFFORTS TO PROMOTE
EQUAL OPPORTUNITY AND ACHIEVE DIVERSITY
IN SENIOR MANAGEMENT

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ACRONYMS AND ABBREVIATIONS

ADR	Alternative Dispute Resolution
AJ	Administrative Judge
CBA	Collective Bargaining Agreement
DCI	DCI Consulting Group
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
ED	Executive Director
EEO	Equal Employment Opportunity
EEOC	Equal Employment Opportunity Commission
EOP	Equal Opportunity Programs
EVS	Employee Viewpoint Survey
GAO	Government Accountability Office
GS	General Schedule
IIPC	Information Technology Prioritization Counsel
NCUA	National Credit Union Administration
NTEU	National Treasury Employees Union
OED	Office of the Executive Director
OHR	Office of Human Resources
OIG	Office of Inspector General
OMWI	Office of Minority and Women Inclusion
OPM	Office of Personnel Management
PMR	Performance Management and Recognition
SSP	Senior Staff Position
VA	Department of Veterans Affairs



EXECUTIVE SUMMARY

The National Credit Union Administration (NCUA) Office of Inspector General (OIG) conducted a review of NCUA’s Office of Minority and Women Inclusion (OMWI) to determine whether agency internal operations and personnel practices have created a discriminatory workplace or otherwise systematically disadvantage minorities from obtaining senior management positions. The review was the result of the OIG receiving a letter on March 24, 2014, from Democratic members of the United States House of Representatives Committee on Financial Services, Subcommittee on Oversight and Investigations (Committee). The Committee members’ request noted that recent OMWI reports issued by the regulatory agencies suggested there might be disparities impeding internal upward mobility for minorities. Accordingly, the Committee requested that the NCUA OIG conduct this review to determine whether this is occurring at NCUA.

Our objective for this review was to assess NCUA’s 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 accomplish our review, we performed fieldwork at the NCUA’s Central Office in Alexandria, VA. The scope of this review focused on NCUA’s compliance with applicable provisions of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (Dodd-Frank Act) and its efforts to promote equal opportunity and achieve diversity in senior management. The scope of our review covered from January 2011 through December 2013. To achieve our objective, we analyzed NCUA’s workforce composition; analyzed agency-wide trend statistics for information related to diversity levels, performance management and recognition (PMR), and promotions for minorities and women employees; reviewed informal and formal Equal Employment Opportunity (EEO) complaint statistics; reviewed employee satisfaction survey results; reviewed NCUA personnel operations, policies, and procedures; evaluated OMWI’s role and involvement in increasing diversity throughout the agency and within senior management ranks, and interviewed NCUA management officials from the Office of the Executive Director (OED), OMWI, and the Office of Human Resources (OHR). We conducted this review from March 2014 through November 2014 and limited our scope to NCUA’s efforts to increase agency diversity and provide equal opportunity for minorities and women to obtain senior management positions.

Overall, we determined NCUA has a diverse workforce that meets or exceeds the national Civilian Labor Force benchmarks tied to the 2010 U.S. Census Data among most individual minority¹ groups. However, we also determined there are areas where NCUA could improve in terms of both workforce diversity and the programs and initiatives that support a diverse and fair workplace. Specifically, we found an underrepresentation of females and Hispanics agency-wide, an underrepresentation of minorities within NCUA’s executive levels or Senior Staff Positions (SSP), statistically significant race/ethnicity, age, and bargaining unit differences in

¹ For purposes of this report, use of the term minority refers to race/national origin only.



NCUA’s Performance Management Program. We also found during our review that in 2013, NCUA did not submit fully completed job applicant flow data to the Equal Employment Opportunity Commission (EEOC). Additionally, we determined that NCUA is generally meeting its diversity requirements set forth in Section 342 of the Dodd-Frank Act, but there are areas for improvement. Specifically, that NCUA management needs to strengthen OMWI’s operational practices, as well as update its EEO policies and improve the manner in which employees gain access to view the policies online. We also determined NCUA needs to modernize its EEO case tracking system.

This report makes five recommendations to NCUA management related to correcting the identified workforce diversity issues and the programs and initiatives that support a diverse and fair workplace.

We appreciate the cooperation and courtesies NCUA management and staff provided to us during this review.



BACKGROUND

The Federal Government’s Diversity and Inclusion Mission Statement states:

Recruit, retain, and develop a diverse, high-performing Federal workforce that draws from all segments of society and values fairness, diversity and inclusion.²

Each year, NCUA’s Chairman issues the agency’s Annual Diversity Policy Statement. Chairman Debbie Matz’s most recent issuance states in part:

Each year, NCUA incorporates the principles of diversity as one of our core values. We empower a workforce that includes diversity of people, diversity of perspectives, and diversity of business practices. Diversity enables us to understand and respond effectively to the needs of our co-workers and together achieve our mission to protect the safety and soundness of the credit union industry.

On March 24, 2014, Democratic members of the United States House of Representatives Committee on Financial Services, Subcommittee on Oversight and Investigations, sent letters to the Inspectors General at NCUA, Federal Deposit Insurance Corporation, Department of the Treasury, Federal Reserve Board, Consumer Financial Protection Bureau, Securities and Exchange Commission, and Federal Housing Finance Agency, respectively, requesting that each IG conduct a review at the agency under their purview to determine whether agency internal operations and personnel practices have created a discriminatory workplace or otherwise systematically disadvantage minorities from obtaining senior management positions.

The Committee members’ request noted that recent OMWI reports³ suggest the disparities impeding internal upward mobility for minorities may be endemic throughout all the agencies regulating the financial services industry. Accordingly, the Committee requested that the NCUA OIG conduct this review to determine whether this is occurring at NCUA.

National Credit Union Administration

The National Credit Union Administration is the independent federal agency created by the U.S. Congress to regulate, charter, and supervise federal credit unions. With the backing of the full faith and credit of the U.S. Government, NCUA administers the National Credit Union Share Insurance Fund, insuring the deposits of more than 96 million credit union account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions. NCUA’s mission is to facilitate the availability of credit union services to all eligible consumers, especially those of modest means, through a safe and sound credit union system. Because of this

² Office of Personnel Management (OPM), Government-Wide Diversity and Inclusion Strategic Plan 2011

³ The Dodd-Frank Act established requirements for each OMWI of a federal financial regulatory agency to provide a yearly report to Congress regarding the actions taken by the agency and the OMWI on matters related to diversity in management, employment, and business activities.



mission, credit union examiners account for the majority of NCUA’s staff positions, representing 66 percent of the 1,258 employees onboard as of December 31, 2013.

Office of the Executive Director

The NCUA Office of the Executive Director (OED) is responsible for the agency’s operation, including implementing board policies, managing the day-to-day operational and administrative requirements, and keeping the NCUA Board fully apprised of ongoing and emerging issues. The OED reports directly to the NCUA Chairman. In turn, with the exception of the OIG, the Office of General Counsel, the Office of Public and Congressional Affairs, and the Ombudsman, all regional and central offices report to the OED. The Executive Director (ED) also serves as the agency’s EEO Director, with responsibility for overseeing the entire EEO program. This includes evaluating the sufficiency of the total agency EEO Program and making improvements or corrections, including remedial or disciplinary action when supervisors or managers fail to meet their EEO responsibilities. The ED also renders NCUA’s decisions on discrimination complaints and orders appropriate corrective measures, including disciplinary action, when the ED finds that an NCUA employee discriminated against another employee or an applicant. The ED also provides general EEO program guidance to the Deputy Director of OMWI.

Office of Minority and Women Inclusion

NCUA established OMWI as a stand-alone office on January 21, 2011, in compliance with provisions of the Dodd-Frank Act. On January 1, 2014, NCUA management merged OMWI and the (former) Equal Opportunity Programs (EOP) office to improve organizational structure and gain efficiencies. OMWI is responsible for all matters relating to measuring, monitoring and establishing policies and procedures for diversity in the agency’s management, employment, and business activities. OMWI ensures a diverse workforce and the inclusion and utilization of minority and women owned businesses in NCUA programs and contracts. OMWI is also responsible for measuring, monitoring, and providing guidance about diversity for NCUA’s regulated credit unions, excluding the enforcement of statutes, regulations and executive orders pertaining to civil rights. In addition, OMWI ensures NCUA takes affirmative steps to seek diversity in the workforce at all levels by promoting staff recruiting and retention efforts, internships, and partnerships targeted toward minorities and women. OMWI annually prepares and submits reports throughout the year, chief among them being the Annual Report to Congress in compliance with the Dodd-Frank Act. Due to the retirement of the OMWI Director in December 2013, NCUA has staffed the OMWI Director position in an Acting capacity in 2014 while continuing its search for a permanent replacement.

Office of Human Resources

NCUA’s OHR implements and advises on policy and procedures for the full range of human resources functions. Specifically, OHR is responsible for on-boarding employees, staffing and recruitment, administering the agency’s pay-for-performance system; implementing and overseeing training and developmental opportunities required for career development and



succession planning; administering federal employee benefit programs; overseeing the performance management and incentive awards program; advising supervisors on disciplinary/adverse actions, grievances, and appeals; negotiating the impact and implementation and/or substantive changes to working conditions with the National Treasury Employees Union (NTEU); administering the terms of the NCUA-NTEU Collective Bargaining Agreement (CBA); and other human capital management issues and strategic goals.

This report outlines NCUA’s policies, procedures, and processes related to personnel practices and its OMWI operations to promote equal opportunity and achieve diversity in senior management. This report makes five recommendations to NCUA management, which the OIG believes can improve NCUA’s efforts to attain a more diverse and inclusive workplace, as well as inform the Committee members as to how NCUA is meeting this challenge.

OBJECTIVES, SCOPE, AND METHODOLOGY

We coordinated with the aforementioned OIGs and agreed to follow a common objective and approach to conducting the evaluation work. We also met with and informed the committee staff of our planned objective and approach. Accordingly, our overall objective was to assess NCUA’s 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 accomplish our review, we performed fieldwork at the NCUA’s Central Office in Alexandria, VA. The scope of this review focused on NCUA’s compliance with applicable provisions of the Dodd-Frank Act and its efforts to promote equal opportunity and achieve diversity in senior management. The scope period of our review covered from January 2011 through December 2013. To achieve our objective, we:

- Analyzed NCUA’s workforce composition;
- Analyzed agency-wide trend statistics for information related to diversity levels, PMR, and promotions for minority and women employees;
- Reviewed informal and formal EEO complaint statistics;
- Reviewed employee satisfaction survey results;
- Reviewed NCUA personnel operations, policies, and procedures;
- Interviewed NCUA management officials from OED, OMWI, and OHR;
- Assessed NCUA’s efforts to respond to complaints, employee satisfaction survey results, or other indicators of discrimination;
- Assessed NCUA’s efforts to increase diversity throughout the agency and within senior management ranks; and



- Evaluated OMWI’s role and involvement in increasing diversity throughout the agency and within senior management ranks.

We conducted this review from March 2014 through November 2014, in accordance with generally accepted government auditing standards. We limited our scope to NCUA’s efforts to increase agency diversity and provide equal opportunity for minorities and women to obtain senior management positions, and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our review objective.

PRIOR AUDIT COVERAGE

NCUA OIG has not conducted any prior audits within the past five years related to this subject. In April 2013, Government Accountability Office (GAO) released its report on Diversity Management, portions of which included a discussion of NCUA.⁴

⁴GAO-13-238, Diversity Management – Trends and Practices in the Financial Services Industry and Agencies after the Recent Financial Crisis, April 2013 <http://www.gao.gov/assets/660/653814.pdf>



RESULTS

Overall, we determined NCUA has a diverse workforce that meets or exceeds the national CLF⁵ benchmarks tied to the 2010 U.S. Census Data among most individual minority groups. However, we also determined there are areas where NCUA could improve in terms of both workforce diversity and the programs and initiatives that support a diverse and fair workplace. Specifically, we found an underrepresentation of females and Hispanics agency-wide, an underrepresentation of minorities within NCUA’s executive levels or SSP,⁶ statistically significant race/ethnicity, age, and bargaining unit differences in NCUA’s Performance Management Program. We also found during our review that in 2013, NCUA did not submit fully completed job applicant flow data to the EEOC. Other findings in this report include a determination that NCUA is generally meeting its diversity requirements set forth in Section 342 of the Dodd-Frank Act, despite the workforce diversity issues noted above. We also determined that NCUA management needs to strengthen OMWI’s operation, as well as update its EEO policies, guidance, and directives. In addition, we determined that NCUA’s current complaint tracking system is outdated and in need of replacement.

Hispanics and Females Underrepresented Agency-wide; Minorities Underrepresented within Senior Service Positions

We determined NCUA has a diverse workforce composed of employees who are White, Black, Hispanic, Asian American, Native American, Native Hawaiian/Pacific Islander, and Multiracial. Minorities, including multiracial, collectively represented 26.85 percent of NCUA’s workforce in 2013, an increase of 2.09 percentage points over 2011, the first year of the scope period of our review. However, we determined NCUA has a significant underrepresentation of Hispanics agency-wide, with slightly over twice as many Hispanics, as a percentage, working in the CLF than employed at NCUA (9.96 percent to 4.36 percent).⁷ We also determined that despite increasing its overall workforce size by 76 employees from 2011 to 2013, the overall number of female employees employed by NCUA decreased during this timeframe. When compared to CLF data, the percentage of women employed at NCUA in 2013 is lower by 4.67 percent (48.1 percent to 43.43 percent). Additionally, we analyzed NCUA’s minority workforce distribution by grade level to assess its executive pipeline.⁸ We determined that minorities appear adequately represented at the CU-13 through CU-16⁹ level; however, NCUA has an underrepresentation of

⁵ The national Civilian Labor Force reflects persons 16 years of age and older, employed or unemployed. The relevant Civilian Labor Force reflects persons, 16 years of age or older who were employed or seeking employment, excluding those in the military. The data in the report is based on the 2010 census. NCUA uses the Relevant Civilian Labor Force because it reflects CLF data that is directly comparable to NCUA’s workforce.

⁶ Because NCUA uses a different pay system than the General Schedule (GS), executives are those individuals who are in positions identified as SSP, which is equivalent in rank to the Senior Executive Service in the GS.

⁷ The percentage of NCUA’s Hispanic representation is an average from 2011 to 2013.

⁸ For purposes of this report, we considered NCUA’s pipeline to include employees at the CU-13 through CU-16 level.

⁹ By 2014, NCUA had changed its pay structure by eliminating the CU-16 pay level. During the scope period of our review, NCUA had several staff at this level.

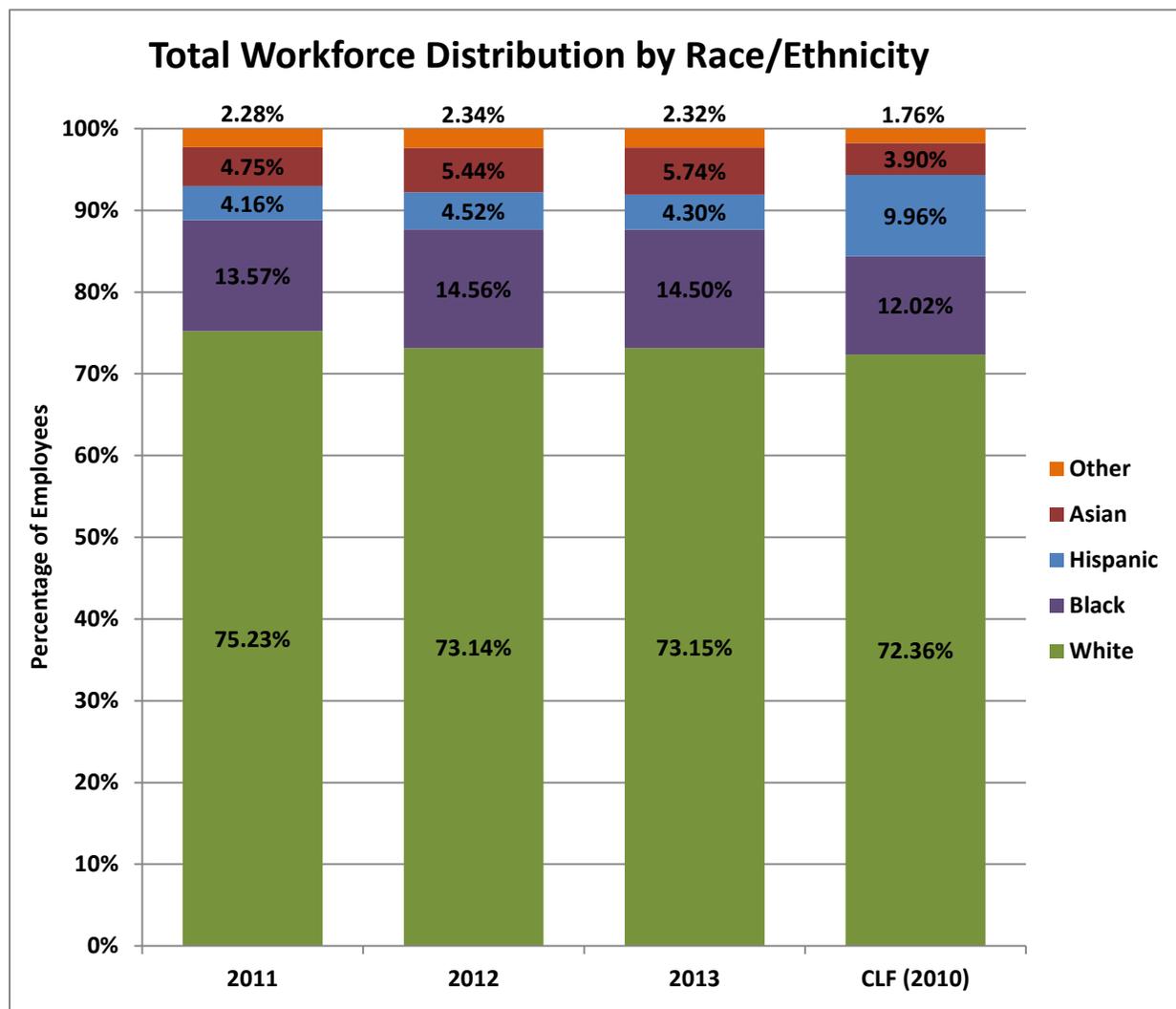


minorities in the SSP ranks, an indication that a barrier may exist. The following charts and tables (below) present NCUA’s total workforce distribution by race, gender, and grade.

Total Workforce Distribution by Race/Ethnicity

As shown in Chart 1 (below), from 2011 through 2013, with the exception of Hispanics, NCUA’s total minority workforce remained constant or increased and, as a percentage, exceeded the CLF. Hispanics, however, remained significantly underrepresented during the same three-year period compared to the CLF.

Chart 1



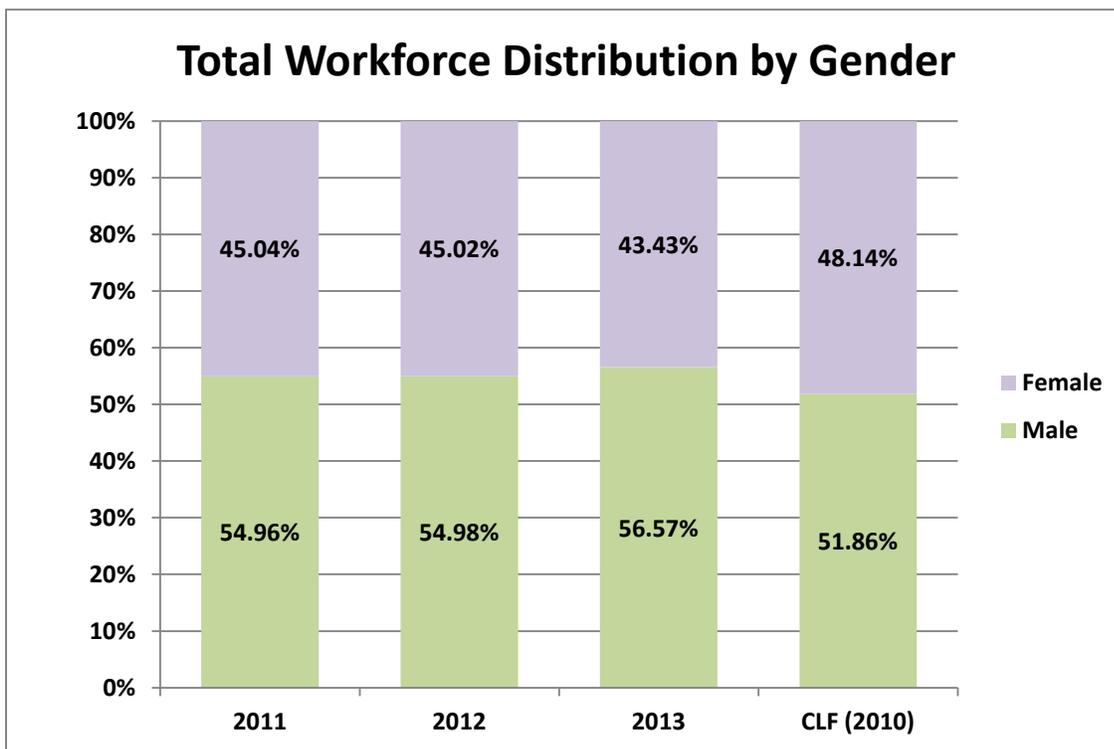
Source: NCUA’s Management Directive 715 (MD-715) Federal Agency Annual EEO Program Status Report FY-13. Note: For purposes of this report, due to their small populations, the “Other” category of employees is comprised of Native Hawaiians and other Pacific Islanders; American Indians; Alaska Natives; and people of two or more races.



Total Workforce Distribution by Gender

From 2011 through 2013, the overall percentage of females employed by NCUA slightly decreased, remaining below the percentage of women working in the CLF. In its FY 2013 MD-715 Status Report, NCUA reported that the decrease in the overall number of women in the agency was represented solely to a decrease in Hispanic women. NCUA also reported that although White females experienced a slight increase in the workforce, they and Hispanic women remain well below the national CLF. In addition, in this same MD-715 status report, NCUA reported having had no Native Hawaiian/Other Pacific Islander women in its workforce at the end of FY13.

Chart 2



Source: NCUA’s MD-715 status report.

Workforce Distribution by Grade Level (Permanent Employees)

We determined that from FY 2011 through 2013, NCUA’s representation by gender and race/ethnicity across various grade levels remained relatively constant. However, during this timeframe, we also determined more males and Whites were in positions identified as SSP, relative to their population size, than were minorities, relative to their individual population. In



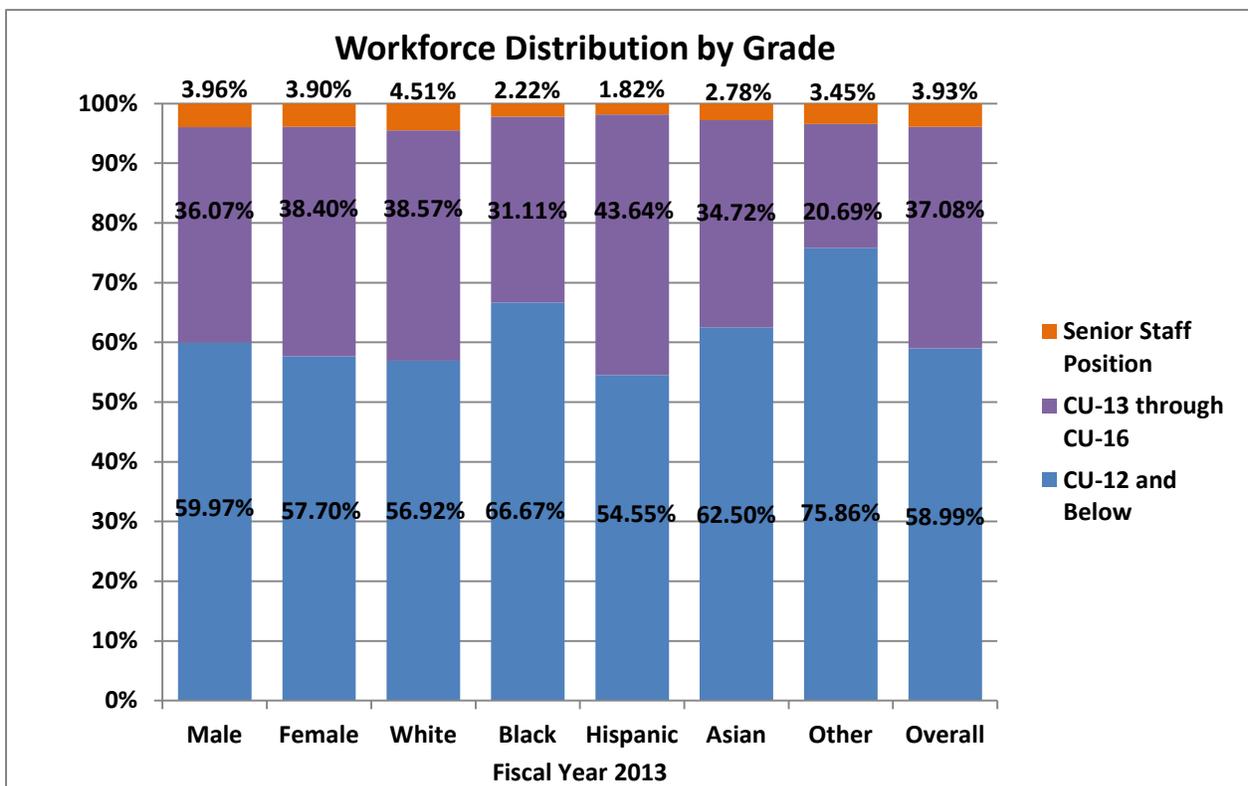
addition, as shown in Appendix A of this report, NCUA’s total minority representation at the SSP level was too low to test for statistically significant differences in performance ratings.¹⁰

As shown in Chart 3 below, in FY 2013, NCUA’s overall permanent workforce consisted of:

- 59 percent of employees at the CU-12 and below positions,
- 37 percent of employees in CU-13 through CU-16, and
- 3.93 percent of employees in the SSP ranks.

Chart 3 presents the percentage of each group by gender and race/ethnicity at the SSP, CU-13 through CU-16, and the CU-12 and below levels. Following Chart 3, Tables 1 and 2 provide further break down of NCUA’s workforce distribution by presenting the number of employees within each category (gender and race/ethnicity) and provides a percentage of the number of employees in a particular group compared to the total in that group.

Chart 3



Source: NCUA’s MD-715 status report.

¹⁰ To test performance-rating data, DCI Consultants needed a minimum of five NCUA employees within a particular race/ethnicity category to test for statistically significant differences.



As shown in Chart 3 above, for FY 2013, NCUA’s SSP pipeline (CU-13 through CU-16) shows a fair representation of females and minorities in positions that comprise the feeder pool for executive positions in the SSP.

Table 1

Workforce Distribution of Permanent Employees by Grade (by Gender)									
Grade Level		2011		2012		2013		3-year Average	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent
CU-12 and Below	Male	391	61.19%	393	60.55%	424	59.97%	403	60.55%
	Female	333	64.04%	321	61.03%	311	57.70%	322	60.88%
	Total	724	62.47%	714	60.77%	735	58.99%	724	60.70%
CU-13 through CU-16	Male	218	34.12%	228	35.13%	255	36.07%	234	35.14%
	Female	172	33.08%	187	35.55%	207	38.40%	189	35.71%
	Total	390	33.65%	415	35.32%	462	37.08%	422	35.39%
SSP	Male	30	4.69%	28	4.31%	28	3.96%	29	4.31%
	Female	15	2.88%	18	3.42%	21	3.90%	18	3.41%
	Total	45	3.88%	46	3.91%	49	3.93%	47	3.91%
Total Workforce	Male	639	55.13%	649	55.23%	707	56.74%	665	55.73%
	Female	520	44.87%	526	44.77%	539	43.26%	528	44.27%
	Total	1,159	100%	1,175	100%	1,246	100%	1,193	100%

Source: NCUA’s MD-715 status report.

As shown in Table 1 above, although NCUA’s overall population of females has remained relatively consistent from 2011 through 2013, NCUA has made significant gains in the CU-13 through CU-16 pipeline as well as in the ranks of the SSPs, with female percentage gains during that time of 20 percent and 40 percent, respectively. However, NCUA still has an underrepresentation of females across all grade levels compared to the national CLF.



Table 2

Workforce Distribution of Permanent Employees by Grade (by Race/Ethnicity)									
Grade Level		2011		2012		2013		3-year Average	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent
CU-12 and Below	White	525	60.28%	499	58.16%	518	56.92%	514	58.43%
	Black	115	73.25%	119	69.19%	120	66.67%	118	69.55%
	Hispanic	25	52.08%	29	54.72%	30	54.55%	28	53.85%
	Asian	38	67.86%	45	70.31%	45	62.50%	43	66.67%
	Other	21	77.78%	22	78.57%	22	75.86%	22	77.38%
	Total	724	62.47%	714	60.77%	735	58.99%	724	60.70%
CU-13 through CU-16	White	306	35.13%	320	37.30%	351	38.57%	326	37.02%
	Black	41	26.11%	50	29.07%	56	31.11%	49	28.88%
	Hispanic	22	45.83%	23	43.40%	24	43.64%	23	44.23%
	Asian	16	28.57%	17	26.56%	25	34.72%	19	30.21%
	Other	5	18.52%	5	17.86%	6	20.69%	5	19.05%
	Total	390	33.65%	415	35.32%	462	37.08%	422	35.39%
SSP	White	40	4.59%	39	4.55%	41	4.51%	40	4.55%
	Black	1	0.64%	3	1.74%	4	2.22%	3	1.57%
	Hispanic	1	2.08%	1	1.89%	1	1.82%	1	1.92%
	Asian	2	3.57%	2	3.13%	2	2.78%	2	3.13%
	Other	1	3.70%	1	3.57%	1	3.45%	1	3.57%
	Total	45	3.88%	46	3.91%	49	3.93%	47	3.91%
Total Workforce	White	871	75.15%	858	73.02%	910	73.03%	880	73.72%
	Black	157	13.55%	172	14.64%	180	14.45%	170	14.22%
	Hispanic	48	4.14%	53	4.51%	55	4.41%	52	4.36%
	Asian	56	4.83%	64	5.45%	72	5.78%	64	5.36%
	Other	27	2.33%	28	2.38%	29	2.33%	28	2.35%
	Total	1,159	100.00%	1,175	100.00%	1,246	100.00%	1,193	100.00%

Source: NCUA’s MD-715 status report.

As shown in Table 2 above, from 2011 to 2013, NCUA’s overall workforce grew by 7.5 percent, with the percentage change of each minority group growing at nearly twice that rate. Specifically, Blacks grew by 14.65 percent, Hispanics by 14.58 percent, and Asians by 28.57 percent. However, despite these gains in the overall growth of minorities agency-wide, only Blacks experienced growth in the SSP ranks during this period.



Barriers Might Exist for Minorities to Achieve Senior Service Positions

We determined that barriers¹¹ might exist for minorities to achieve positions identified as SSP within NCUA. Section 717 of Title VII of the Civil Rights Act of 1964, as amended, requires the EEOC to review and evaluate all federal sector EEO efforts. Accordingly, agencies must take proactive steps

to ensure equal employment opportunity for all employees and applicants for employment, by preventing discrimination on the bases of race/ethnicity, color, national origin, religion, sex, age, reprisal, genetic information, and disability, and to eliminate barriers that impede free and open competition in the workplace. We believe NCUA’s underrepresentation of minorities in its SSP level is an indicator that a barrier might exist, especially given the presence of minorities in positions that comprise the feeder pool for executive positions. To its credit, NCUA has recognized that a barrier may exist and has taken action to begin to address the issue.

As previously shown in Chart 3 for 2013, although NCUA has more males than females in positions identified as SSP, when viewed as a percentage, NCUA has nearly equal representation of females (3.90 percent) versus males (3.96 percent). NCUA management indicated during our review that they advertise positions to internal and external sources in an effort to increase the pool diversity. Accordingly, the internal feeder pool for the SSP ranks consists of CU-13 through CU-16 positions. From 2011 to 2013, NCUA made significant gains in hiring females at higher grade levels. As shown in Table 1, females in the CU-13 through CU-16 feeder pool category went from 172 to 207, a 20 percent increase. Likewise, females in the SSP from 2011 to 2013 went from 15 to 21, a 40 percent increase.

NCUA also has an underrepresentation of minorities in the SSP level, with Hispanics faring the worst at 1.82 percent, despite nearly 44 percent of the total number of Hispanics in the agency working in positions in the CU-13 to CU-16 feeder pool. Our analysis of the SSP category, as set forth in NCUA’s MD-715 Status Report for FY 2013,¹² identified minorities as representing 24 percent of the pipeline in grades CU-13 through CU-16. Although the number of minorities in the SSP ranks increased during the scope period of our review, and minorities currently represent 16.4 percent of the SSPs, there were no Black males or Asian females, despite their presence in the pipeline for executive positions. We believe it is worth noting, however, that NCUA is making progress addressing the underrepresentation at the SSP level. In 2012, 23 percent of the SSP hires were minorities, 14 percent in 2013, and 33 percent thus far in 2014.

As previously mentioned, Section 717 of Title VII of the Civil Rights Act of 1964, as amended, requires the EEOC to review and evaluate all federal sector EEO efforts. To that end, we determined NCUA conducts a self-assessment on an annual basis to monitor progress and identify areas where barriers may operate to exclude certain groups. A first step in conducting this self-assessment involves looking at the racial, national origin, and gender profile of relevant occupational categories in an agency’s workforce. Although such a profile can serve as a tool to

¹¹ EEOC’s *Instructions to Federal Agencies for EEO MD-715* describes a barrier as a specific agency policy, procedure, or practice that limits employment opportunities for members of a particular protected group.

¹² Table A4 – Participation Rates for NCUA Grades (Permanent) – Distribution by Race/Ethnicity, and Sex.



help management determine possible areas where barriers may exist, MD-715 cautions that statistics alone do not provide a complete picture. Therefore, management should not draw conclusions from numerical assessments. Instead, management should conduct a thorough examination of all of the circumstances.

We determined that NCUA conducted self-assessments in FYs 2011 - 2013 and submitted the results of its reviews to the EEOC in its MD-715 Status Reports, as required. However, we also determined that NCUA’s 2013 MD-715 submission lacked fully completed data tables and did not identify NCUA’s workforce discrepancy – the underrepresentation of minorities within positions identified as SSP.

In its FY 2013 MD-715 Status Report, NCUA did not submit completed tables A-9, A-11, or A-12. Tables 7, 9, 11 and 12 are the tables that track flow data such as the total number of applicants, the total number of qualified candidates, and participation in career development programs. Without such data, NCUA could not identify which specific policies, procedures, or practices may be causing a barrier to occur. NCUA management advised the OIG that this data issue is not unique to NCUA noting they presently belong to a group of smaller agencies working together for a common solution. In addition, NCUA did not identify the aforementioned incomplete tables as a program deficiency in Part H of its FY 2013 MD-715 Status Report. Management indicated their intent to collect this data from OPM’s USA Staffing Office. Management also indicated that going forward they will include this data in all future MD-715 Status Reports.

In Part I of the FY 2013 MD-715 Status Report, NCUA did not disclose the underrepresentation of minorities within positions identified as SSP as a program deficiency. We discussed the underrepresentation of minorities and the barrier issue with the Acting Director, OMWI. The Acting Director stated that they did disclose in the MD-715 report their plans to conduct a barrier analysis in 2014 and 2015,¹³ which will evaluate the underrepresentation of Black males and Hispanic males and females at all levels of the agency, including the SSP levels. The Acting Director also stated that future barrier analyses would address future minority population underrepresentation.

We confirmed that in September 2014, OMWI contracted for expert professional services for an agency-wide barrier analysis to identify and eliminate any barriers that may exist that are impeding free and open competition in NCUA’s workplace. The barrier analysis should identify which particular phase or facet of the selection process could be the root cause. We agree with management’s actions to hire an outside firm with expertise in this area. Consequently, the OIG is not making a formal recommendation at this time.

¹³ A barrier analysis is the process by which agencies uncover, examine, and remove barriers to equal participation at all levels of the workforce.



Ratings Differences Identified Among Race/Ethnicity, Age, and Bargaining Unit

We determined that NCUA’s performance rating system is in need of further detailed analysis to determine whether identified ratings differences were due to performance, regional, or job category differences, or a result of discrimination. Specifically, we identified statistically significant differences within two protected classes¹⁴ – race/ethnicity and age – as well as within one non-protected class, bargaining unit employees.

In August 2014, the FDIC OIG contracted with DCI Consulting Group (DCI) to perform statistical analyses for each of the aforementioned financial regulatory OIGs, respectively, that received the Subcommittee’s March 24, 2014, letters. One element of the work the Subcommittee requested was for each OIG to assemble agency-wide performance appraisal data to identify performance ratings distributions by race/ethnicity, gender, and age, as well as by bargaining or non-bargaining unit status.

DCI’s analyses for the seven regulatory agencies compared performance-rating scores for Whites separately against each of the three major minority categories: Blacks, Hispanics, and Asians. The results of the analysis identified statistically significant ratings differences between Whites and Blacks, as well as Whites and Asians, but identified no statistically significant differences between Whites and Hispanics. In fact, in 2013, Hispanics received *higher* ratings than did Whites for non-bargaining unit employees. DCI conducted 96 separate analytical tests. Although DCI identified no patterns of discrimination, they concluded that in 2012 and 2013, Whites received higher performance ratings than Blacks did within the CU13-CU16 supervisory positions. In 2011, Whites received higher ratings than Blacks did for jobs at the CU1-CU12 level. DCI also concluded that from 2011 through 2013, Whites received higher ratings than Asians did for jobs at the CU1-CU12 level.

In addition, DCI’s analysis concluded that NCUA had statistically significant differences with age. Specifically, DCI found that NCUA employees *over* the age of forty received higher ratings than did employees under the age of forty. DCI noted this is not normally observed in these types of analyses.

Finally, DCI’s analysis identified only one trend, or pattern, across all three years – a statistically significant difference between non-bargaining unit employees and bargaining unit employees, where non-bargaining unit employees received higher ratings each year of the analysis, even after removing supervisors.¹⁵ Please see Appendix A for DCI’s entire performance rating study of NCUA.

¹⁴ Protected Classes are the groups protected from employment discrimination by law. These groups include men and women on the basis of sex; any group which shares a common race, religion, color, or national origin; people over 40; and people with physical or mental handicaps.

¹⁵ The bargaining unit does not cover supervisors.



We discussed the results of the performance rating study with NCUA management. Management advised the OIG that they believe there was a material omission in the analysis performed by the contractor that rendered the conclusions incomplete. Specifically, there was no consideration given to the experience or seniority of employees in the data analysis.

Management explained that in a pay for performance system, such as that used by NCUA, an employee’s experience level correlates to an advanced knowledge base and skill set. Both the demonstrated knowledge and skills of the employee are material factors considered in the development of a performance rating. Management further explained that without experience level as a factor considered in the analysis, the contractor’s conclusions were based heavily on generalized data that could lead to inaccurate and unsupported conclusions. Management noted that DCI’s age analysis findings for employee performance ratings over and under the age of forty supports this very point – that NCUA’s older and presumably more experienced employees had consistently higher ratings due to their demonstrated advanced knowledge and skill set. Management raised a question in reviewing the DCI report. Specifically, management questioned whether experience levels in the race/ethnicity and in the bargaining unit and non-bargaining unit analyses played a factor in the statistically significant differences found in those categories as well.

Management also advised that linked to longer seniority at higher levels is turnover at lower levels. Employees leave for various personal reasons, including, travel, job fit, and performance. All of these variables play a role in performance ratings at all levels, but greater so at the entry level. Management also noted that the statistically significant difference found in the bargaining unit versus non-bargaining unit performance rating scores may be largely explained by the fact that a large percentage of bargaining unit staff are examiners at the CU-07, CU-09, and CU-11 levels. Management explained that examiners at these levels are typically in their first or second years at that grade level and, therefore, supervisors are more likely to assign these individuals lower ratings based on their lack of demonstrated advanced knowledge, skill, and independence.

In its report, DCI stated the following:

It is important to understand that a statistically significant difference in ratings based on gender, race/ethnicity, age or bargaining unit does not necessarily indicate that discrimination is occurring. Such group differences could be due to actual differences in performance, regional differences in ratings, job family differences in ratings (i.e., supervisors in certain fields are more strict or lenient than supervisors in other fields) or some combination of all these factors.

We believe NCUA needs to investigate the findings in DCI’s report to determine whether any group differences are due to actual differences in performance or to other factors rather than discrimination. Therefore, we are making the following two recommendations to NCUA management.



Recommendations

We recommend NCUA management:

1. Conduct additional microanalysis of NCUA’s performance ratings that includes employee experience as a factor. This could also include, for example, reviewing ratings by salary bands, regions, offices, job titles, and race/ethnicity and gender of the employee and supervisor (rater – ratee interactions).

Management Response

Management agreed with the recommendation and plans to have OHR conduct additional analysis that will factor in employee experience to determine whether discriminatory practices exist that would warrant action detailed in OIG Recommendation 2. Management indicated OHR would complete this analysis by June 2015.

OIG Response

We concur with management’s planned actions.

2. If the further analysis discloses discriminatory practices are occurring, assess NCUA’s performance rating system process and content to ensure it is adequately structured. This could include, for example, reviewing such items as job related appraisal dimensions, training for supervisors, controls to determine if patterns exist (e.g., racial or gender differences), and an adequate appeals process.

Management Response

Management agreed with the recommendation and plans to have OHR lead an assessment of NCUA’s performance rating system should the analysis conducted in Recommendation 1 determine discriminatory practices exist.

OIG Response

We concur with management’s planned actions.



NCUA is Generally Meeting Dodd-Frank Act Requirements, but Areas for Improvement Exist

We determined that NCUA has generally met the statutory requirements related to workforce diversity established by Section 342 of the Dodd-Frank Act. Specifically, NCUA, through OMWI, developed standards for race/ethnicity, and gender diversity for NCUA’s workforce¹⁶ and has taken positive steps to help NCUA achieve diversity in the workforce at all levels of the agency in accordance with the Dodd-Frank Act’s mandates. However, as previously discussed, NCUA still needs OMWI to focus its attention in several key workforce areas, specifically, the underrepresentation of Hispanics and females agency-wide, and the underrepresentation of Black and Hispanic males, and Asian females within the SSP ranks to improve the agency’s diversity.

As previously mentioned, NCUA established OMWI on January 21, 2011, meeting the six month requirement established in the Dodd-Frank Act. Also in 2011, OMWI developed its first *Diversity and Inclusion Strategic Plan for 2012 -2016* in response to Executive Order 13583. This strategic plan also included standards for equal employment opportunity and enhancing the racial, ethnic, and gender diversity of the workforce and senior management of the agency, in accordance with the Dodd-Frank Act.

In NCUA’s 2014–2017 Strategic Plan, one of the six Agency Priority Goals is increasing the number of women, persons with disabilities, and minorities in all staff levels, particularly in the management ranks. NCUA’s strategic objective for meeting this goal is recruiting and retaining a diverse and highly qualified workforce. NCUA plans to pursue the following performance goals, measures, and targets as outlined in its *2014-2015 Annual Performance Plan* to achieve their strategic goals and objectives:

- Increase the number of women, persons with disabilities, and minority staff at all levels, particularly in the management ranks.
- Partner with organizations to increase the diversity of NCUA staff, particularly management.
- Fill vacancies timely with the best-qualified applicants available.

During our review, NCUA management indicated that they have initiated efforts to meet the agency’s diversity and inclusion goals outlined above through outreach and recruitment initiatives, using internship programs, leadership development programs, and diversity and inclusion training. In addition, NCUA has shown a commitment to meeting these goals, as demonstrated by Chairman Matz’s annual written policy statement to all staff, which promotes a workplace free of discriminatory harassment and articulates a commitment to equal employment opportunity. The statement expresses the Chairman’s expectation that managers and supervisors will promote and implement the agency’s EEO goals and objectives, and that the agency will

¹⁶ We did not assess OMWI’s standards related to diversity policies and practices of entities regulated by NCUA, or increasing participation of minority-owned and women-owned businesses in the programs and contracts of the agency.



take swift and appropriate disciplinary actions, where necessary, for violations of EEO laws and regulations. The Chairman further emphasized her commitment to diversity in her publicly stated priorities issued upon becoming chairman in 2009, which includes the following priority:

An employer of choice and reliable partner with elected labor representatives, understanding that employees are its most important asset—and a diverse workforce enriches the agency and its employees, and enhances their output.

Although NCUA has taken positive steps to increase its diversity across all levels of the organization through the development of diversity standards, plans, objectives, and goals, NCUA must continue to utilize OMWI to focus attention on helping the agency attain the targeted goals disclosed in the NCUA 2014-2015 Annual Performance Plan. Those goals, in part, are to:

1. Increase female representation.
2. Increase representation of persons with disabilities.
3. Increase Hispanic representation.
4. Increase female, persons with disabilities, and minority representation in leadership ranks (CU-14 and above).
5. Maintain NCUA's position in the top five mid-sized agencies for the Support for Diversity Indicator (Employee Viewpoint Survey Questions 34, 45, and 55).¹⁷

We believe the barrier analysis, which began in September 2014, is a positive step towards the agency attaining the targeted goals outlined above, which should help NCUA achieve diversity in the workforce at all levels, in accordance with the Dodd-Frank Act. Therefore, we are not making a recommendation to NCUA management at this time.

Reporting Structure Did Not Comply with the Dodd-Frank Act

We determined at the outset of our review that NCUA’s reporting structure for OMWI did not comply with the Dodd-Frank Act’s requirement that the OMWI Director of NCUA “shall be appointed by, and report to, the agency administrator,”¹⁸ which the Act defines as “the head of an agency.”¹⁹ That is, formerly, the OMWI Director reported to the NCUA Deputy Executive Director. However, before we completed our review, NCUA restructured OMWI’s chain of command so that currently, the OMWI Director reports to the ED who, by delegation of authority from the NCUA Board, reports directly to the NCUA Chairman as agency head. As shown in the revised NCUA organizational chart below, the OMWI Director now reports to the ED.

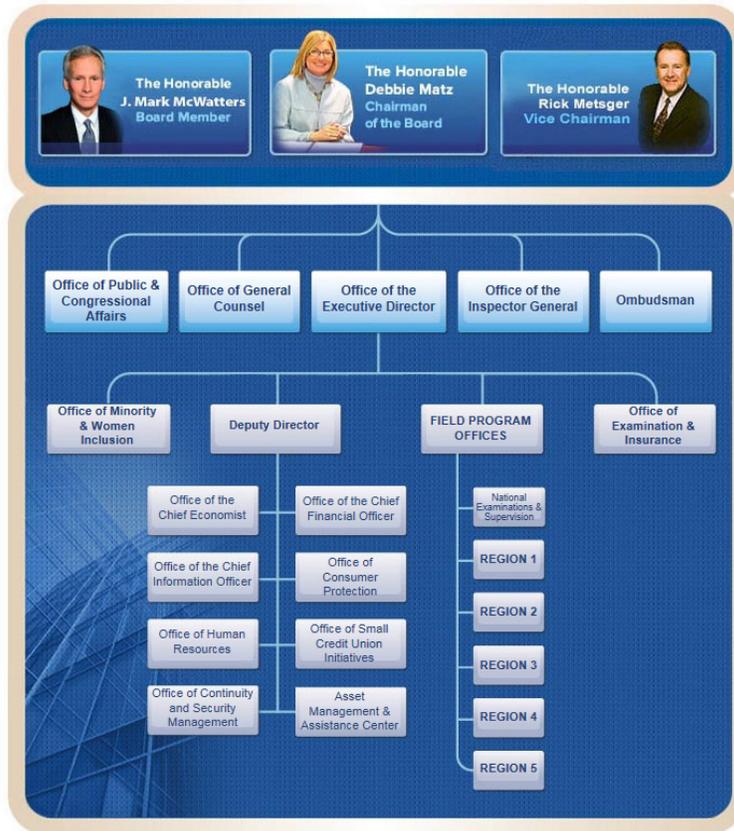
¹⁷ These EVS questions measure the extent to which employees believe that actions and policies of leadership and management promote and respect diversity.

¹⁸ 12 U.S.C. 5452(b)(1).

¹⁹ *Id.* §5452(g)(2).



NCUA ORGANIZATIONAL CHART



This change brings the agency into compliance with the Dodd-Frank Act’s mandate that the OMWI Director report to the head of the agency because the ED is the institutional portal to the agency head of NCUA. Therefore, we are not making a recommendation at this time.

NCUA’s Outreach and Inclusion Efforts Should Improve Diversity, but Areas for Improvement Exist

We concluded NCUA’s efforts to develop and implement a comprehensive, integrated, and strategic focus for diversity are a positive step towards reaching its most recent Annual Performance Plan goals. However, NCUA management needs to strengthen its efforts to collect and report accurate applicant flow data to ensure they achieve

the goals. OPM provides guidance²⁰ to agencies to fulfill diversity and inclusion goals.²¹ As previously mentioned, NCUA did not collect and report on flow data in its 2013 EEOC MD-715

²⁰ OPM Guidance for Agency-Specific Diversity and Inclusion Strategic Plans, November 2011.

²¹ See Executive Order 13583-- Establishing a Coordinated Government-wide Initiative to Promote Diversity and Inclusion in the Federal Workforce, August 18, 2011.



report for Tables A-9, A-11, and A-12. As a result, NCUA management could not readily determine the impact of its outreach and inclusion efforts regarding whether its applicant pools reflected the CLF.

NCUA Outreach and Inclusion Efforts

NCUA management indicated they have established a Recruitment and Outreach Committee that meets quarterly to address onboard diversity, recruitment, and outreach efforts. This committee’s specific focus is to ensure the goals set forth in the agency’s Diversity and Inclusion Strategic Plan are accomplished and includes participation from the agency’s five regions, OHR, and OMWI. The committee is responsible for streamlining NCUA’s recruitment efforts and finding new ways to reach diverse candidates to increase the agency’s applicant pool.

During 2013, OMWI helped coordinate and implement several outreach and recruitment strategies that included developing partnerships with minority-serving organizations and expanding the agency’s presence in print media and social networking sites. OMWI’s outreach and recruitment efforts included participating in numerous events targeting Hispanics, Blacks, and Asians such as the conventions for the Association of Latino Professionals in Finance and Accounting, the National Association of Black Accountants, as well as the National Association of Asian MBAs Leadership Conference and Exposition. We also learned that NCUA’s OHR consistently disseminates its vacancy announcements to all sources in order to attract a broad and diverse group of candidates. OHR posts all vacancy announcements on USAjobs.gov and emails them to more than 550 minority-serving organizations. In addition, OHR posts vacancy announcements on the agency’s LinkedIn business page.

As previously mentioned, in 2013 NCUA also expanded its outreach in print media. NCUA placed advertisements in publications serving diverse populations in such print media as Hispanic Network Magazine, Black EOE Journal, Professional Woman’s Magazine, and the Tribal Employment Newsletter. NCUA also uses social media to engage stakeholders. In addition to LinkedIn, NCUA uses Twitter, Facebook and YouTube as part of its outreach strategy.

NCUA was also involved in other outreach and recruitment strategies and events in 2013. These included a Strategic Recruitment Planning Forum for all hiring officials to meet and learn about best recruitment and outreach practices from other public and private sector organizations that serve minority groups. The forum allowed these officials to share recruiting best practices and provided insight on recruitment barriers as well as future efforts to increase the agency’s underrepresented groups and provide insight on ways to develop diversity plans. This forum not only resulted in the creation of the aforementioned Recruitment and Outreach Committee, but also a partnership with the Department of Veterans Affairs (VA). NCUA’s partnership with the VA resulted in the creation of a new pipeline for skilled veterans that will help expand NCUA’s workforce diversity. We believe this initiative, in addition to the Recruitment Outreach Committee, is a positive step towards NCUA accomplishing its goals in its Diversity and Inclusion Strategic Plan for 2012 -2016.



We also learned that NCUA has two outreach programs, the Pathways Program and the Summer Intern Program. NCUA launched the Pathways Program in 2013, while the Summer Intern Program started in 2010. The Pathways Program governs the appointment and employment of individuals under three different programs: the Internship Program, the Recent Graduates Program, and the Presidential Management Fellows Program. NCUA uses these programs as another tool to assist in increasing the diversity of the agency’s workforce. NCUA also maintains strategic partnerships with diverse professional organizations focused on developing opportunities for minorities and women. Some of the organizations NCUA collaborated with in 2013 included the National Association of Equal Opportunity in Higher Education, the Hispanic Association of Colleges and Universities, and the Conference on Asian Pacific American Leadership.

We believe NCUA has made significant strides in its outreach and inclusion efforts; however, to measure the impact and ensure its strategies are drawing from a broad spectrum of potential applicants to meet its diversity and inclusion goals, NCUA management must correct its applicant flow data issues. As previously mentioned, management advised the OIG that in 2014 NCUA began collecting agency flow data directly from access to OPM’s USA Staffing Office and will include this data in all future MD-715 Status Reports. Therefore, we are not making any recommendations to NCUA management regarding this issue. However, given the importance of measuring flow data to determine the success of outreach efforts, we are making the following recommendation to NCUA management.

Recommendation

We recommend NCUA management:

3. Analyze and compare the appropriate tables in its yearly MD-715 submissions to the EEOC to determine whether a barrier analysis is necessary based on NCUA’s data flow.

Management Response

Management agreed with the recommendation and plans to have OMWI complete the appropriate barrier analysis if their annual review of the MD-715 report discloses that potential barriers exist. Management also noted that complying with this recommendation is contingent on being able to acquire the necessary data flow information, which management indicated they remain committed to continuing to work to obtain.

OIG Response

We concur with management’s planned actions.



Training Initiatives Promote Diversity and Inclusion

We determined NCUA’s training initiatives promote a diverse and inclusive workforce. Specifically, NCUA provides diversity training to senior leadership and supervisory staff to educate hiring officials on the status of the workforce. Such training emphasizes the need to expand recruitment searches and focus recruitment on those groups who demonstrate low participation rates in the agency. NCUA also encourages selecting officials use hiring panels that are a diverse mix of individuals to make certain the hiring and selection process is fair.

During our review, NCUA management indicated that senior leadership participated in diversity training as part of the agency’s annual strategic planning conference. The first day of the meeting included diversity training to underscore its role in the agency, which management indicated that part of the drafting of the 2015 annual performance plan included incorporating innovative and more effective diversity strategies and measures. Management advised the OIG that at the conference, which all senior managers attend, NCUA hired a diversity speaker and had the Acting OMWI Director present information as well.

All new supervisors are required to attend NCUA’s New Supervisor Tier 1 training session, which covers the supervisor’s role and responsibilities in human resources management and includes sessions on EEO and diversity, and a specific presentation by OMWI titled ‘OMWI Diversity.’ We also learned that during New Supervisor Tier 1 training that OHR presents a session on establishing recruitment goals and working with OHR to hire underrepresented populations.

Management also indicated that, as part of the agency’s biannual leadership training sessions, all levels of management receive EEO-related training. In addition to this general approach, NCUA management indicated they have a targeted leadership-development initiative to promote diversity and inclusion within the agency. Specifically in 2014, NCUA established a Diversity Advisory Council. The Advisory Council serves as a resource to assist and advise leadership with diversity and inclusion efforts. Management indicated the Advisory Council includes representatives from all levels of the organization, including supervisory and non-supervisory personnel; the National Treasury Employees Union; and employees from each of the agency’s demographic groups.

Management also advised the OIG they consistently communicate to selecting officials the need to ensure hiring panels are a diverse mix. NCUA management indicated that it communicates this not only in New Supervisor Tier 1 training, but also when OHR staff issues selection certificates to selecting officials, one of the documents specifically mentions the importance of using a diverse interview panel.

One of NCUA’s Annual Performance Goals is to develop and implement a comprehensive, integrated and strategic focus for diversity. NCUA management indicated they provide several competitive development programs that assist in building an inclusive workplace environment



for women and minorities. These programs include Executive Training and Executive Coaching Programs and several Leadership Development Programs.

We also learned during our review that the NCUA Executive Training Program is a new 12–18 month executive development training opportunity for CU-15 supervisory staff to prepare them to transition from supervisory and managerial positions into executive positions within the agency. There were five participants in the program in 2013, which included one minority and two women.

The Leadership Development Programs include a Management Development Program for non-supervisory employees in grades CU-12 through CU-14, as well as a New Leader Program for employees in grades CU-7 through CU-9 and an Executive Leader Program for employees in grades CU-11 through CU-13. In its 2013 Congressional Report, OMWI report that these programs had the following diversity levels:

- Management Development Program Eleven participants: minorities represented 18 percent, and women represented 27 percent.
- New Leader Program Three participants: minorities represented 100 percent, and women represented 67 percent.
- Executive Leader Program Four participants: minorities represented 25 percent, and women represented 50 percent.

In January 2013, NCUA’s Executive Director established the Talent Management Council, an executive-oversight group that continually determines the agency’s leadership development priorities and succession planning. We believe the Talent Management Council will provide OMWI with an excellent resource as it helps the agency address its minority underrepresentation at the SSP level.

Another NCUA annual performance goal is to recruit, hire, and retain a larger, more diverse pool of potential candidates/employees. To help accomplish this goal, NCUA revised the annual performance standards of its senior and executive staff in 2013 to include diversity and inclusion factors within its ‘Leading People’ critical element. All SSPs are evaluated on the following criteria:

- Building and reinforcing an organizational culture committed to recruiting a high quality, diverse workforce while maintaining a high level of employee satisfaction;
- Establishing diverse rating and ranking panels, as well as diverse interview panels; and
- Taking proactive steps to improve underrepresentation within the agency and meets goals that have been established.

NCUA management advised the OIG that the intent of revising this SSP critical element was to inform managers that if they truly want to exceed in their positions, they would have to



demonstrate how they contributed to improving NCUA’s diversity and addressing the underrepresentation of minorities within their specific organizations.

We believe it is too soon to determine the impact any of the training programs and initiatives outlined above have had on NCUA’s recruitment, retention, and promotion efforts for minorities and women. However, we believe each of the programs and initiatives provides an opportunity for women and minorities to acquire leadership skills or build on current leadership skills that will make them more competitive for future advancement opportunities.

EVS Results Show No Discrimination, but Areas for Improvement Exist

The results of NCUA’s Employee Viewpoint Survey (EVS) results found no evidence to suggest that employees believe there are discriminatory practices at NCUA. Specifically, we identified all EVS questions related to diversity and inclusion, reviewed the related responses, and found no red flags or patterns that would suggest that unfair or unequal treatment is taking place at NCUA.

In fact, NCUA management advised the OIG that OPM viewed the results of these EVS questions as strengths. However, we believe opportunities exist for NCUA to improve upon these positive results and work towards truly making diversity a more integral part of NCUA’s organizational culture.

On its internal SharePoint site, OHR has a Worklife – Employee Satisfaction and Engagement link. That link provides not only the historical EVS results from 2010 through 2013, but also discloses that NCUA promotes a culture of employee satisfaction and engagement in order to accomplish its mission, led by strong and committed management. The site also notes that NCUA Leadership will take affirmative steps to increase the level of employee engagement and satisfaction in the work place, establish an atmosphere of open communication, and demonstrate a credible commitment to employee and leader development to boost engagement in the workplace. Because of this commitment, NCUA participates in OPM’s EVS on an annual basis to all employees to measure their perceptions of whether, and to what extent, conditions within NCUA characterize a successful organization.

NCUA management indicated they are committed to listening to employee feedback and acting upon the EVS results to make NCUA an employer of choice, as evidenced by the following examples. In 2013, NCUA contracted with a vendor to conduct agency-wide workshops and webinars to drill down into specific areas reflected in the 2012 results. The specific areas of focus were awards, performance appraisals, and promotions. In response, NCUA created a workgroup to review the vendor’s report on these workshops and webinars and came up with recommendations for senior management, the results of which the ED shared with all employees.

Additionally, NCUA officials indicated they are committed to continuing their efforts to obtain increased employee feedback. For example, for the 2013 EVS, for the first time NCUA requested results not just on an agency-wide basis, but also broken down by each of the agency’s



five Regions, the Asset Management and Assistance Center, and the Central Office. In 2014, management officials advised that they went a step further and asked for results broken down by specific groups within the Central Office.

We asked NCUA management to identify the specific questions in the 2013 EVS that they believe related directly to issues of diversity and inclusion. We reviewed the results of the questions posed and determined the following:

- 71 percent of employees have a positive opinion that NCUA’s policies and programs promote diversity in the workplace,
- 70 percent of employees have a positive opinion that prohibited personnel practices are not tolerated (for example, illegally discriminating for or against any employee/applicant, obstructing a person's right to compete for employment, knowingly violating veterans' preference requirements),
- 74 percent of employees have a positive opinion that their supervisor is committed to a workforce representative of all segments of society, and
- 68 percent of employees have a positive opinion that Managers/Supervisors/Team Leaders work well with employees of different backgrounds.

As previously mentioned, management advised the OIG that OPM considered the results of NCUA’s diversity-related EVS questions as “strengths.” We reviewed NCUA’s and the Federal Government’s average scores for 2014 for these same four diversity questions to determine how NCUA compared to the rest of the Federal government. Table 4 below provides the results of our analysis.

NCUA vs. Federal Government EVS Diversity Question Results				
Question	2013 NCUA Score	2013 Gov’t Average	2014 NCUA Score	2014 Gov’t Average
Q34	71	55	72	55
Q38	70	65	71	65
Q45	74	65	78	66
Q55	68	63	69	63

As shown above, NCUA raised its score for each of the diversity related questions from 2013 to 2014 and obtained much higher scores than the Federal government average for both years. Therefore, we are not making any recommendations to NCUA management related to NCUA’s EVS results at this time.



EEO - No Findings of Discrimination against NCUA

During the scope period of our review, we determined NCUA had no findings of discrimination against the agency either through a Final Agency Decision or through the EEOC. Specifically, from FY 2011 to FY 2013, NCUA closed 13 formal complaints through withdrawal, settlement, agency decision, or EEOC/Administrative Judge (AJ) decision. The result of these complaints resulted in NCUA reporting no findings of discrimination on its EEOC Form 462 submissions. NCUA management indicated that the agency strives to resolve EEO disputes at the lowest possible level and encourages the use of mediation at the informal and formal stages of the complaint process by encouraging the use of alternative dispute resolution (ADR). In 2011, NCUA resolved one complaint at the informal level.

NCUA’s EEO policy promotes and supports equal opportunity in employment to all persons; and prohibits discrimination in employment because of race, religion, color, national origin, sex, age, and disability. Every NCUA manager and supervisor is responsible for actively promoting equal employment opportunity and for incorporating principles of equal opportunity and equitable treatment into their day-to-day activities. NCUA’s Chairman delegates the overall administration, management, program development, monitoring, and evaluation of the EEO program to the ED. The ED, as Director of EEO, designates the day-to-day management and program operational responsibility to the Deputy Director of OMWI.

Each Executive agency within the Federal government is required to maintain a program for resolution of informal and formal allegations of discrimination. The program provides for the prompt, fair, and impartial processing of discrimination complaints. Employees, or applicants for employment, who believe that they have been discriminated against based on race, color, religion, sex, national origin, age, or disability may file a formal discrimination complaint.

Prior to filing a complaint, an employee or applicant must first seek informal resolution of the matter by contacting an EEO Counselor. If the matter cannot be resolved informally, the employee may file a formal complaint and NCUA will conduct an investigation. After the investigation, NCUA provides the complainant the option to request a final agency decision or a hearing before an EEOC Administrative Judge (AJ). Following a final decision from either the agency or AJ, the complainant can appeal either ruling to EEOC’s Office of Federal Operations and/or an appropriate U.S. District Court. If there is a finding of discrimination, NCUA will consider corrective action, which may include disciplinary actions as ordered or as necessary. Following is a flow map depicting the Federal Sector EEO process.



Federal Sector EEO Process

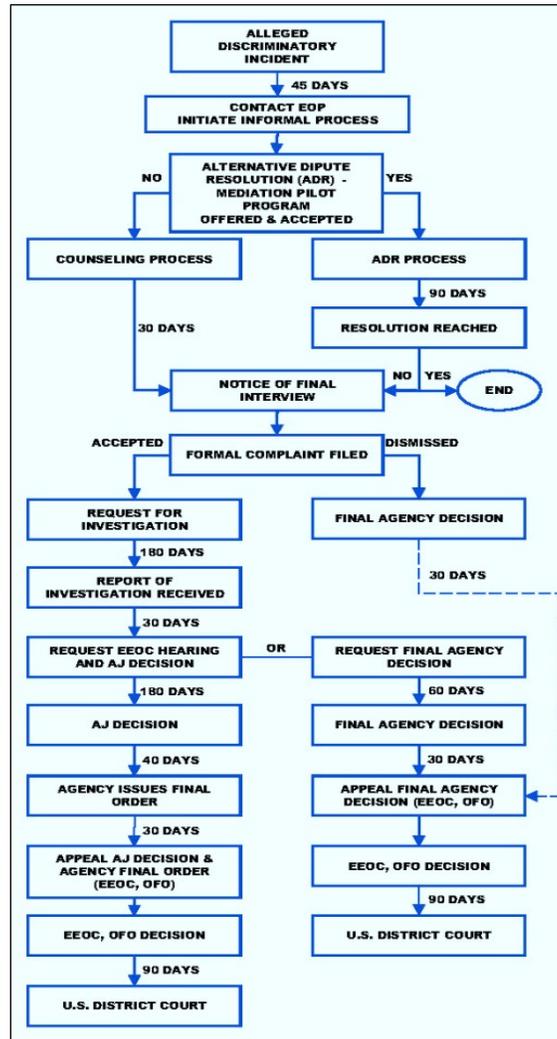


Table 3 below provides details on NCUA’s EEO complaint activity for the period covering FY 2011 through FY 2013.



Table 3

NCUA’s 2011 – 2013 EEO Complaint Activity			
	FY 2011	FY 2012	FY 2013
Number of informal complaints filed	12	8	10
Informal complaint resolved (resolution rate %)	1 8.3%	0	0
Government-wide resolution rate	53.1%		
Number of informal complaints withdrawn by complainant	4	5	4
Informal complaint resolution by ADR (NCUA ADR participation rate %)	0	0	0
Government-wide ADR participation rate	36.3%*		
ADR (resolution rate)	0%	0%	0%
Number of formal complaints filed	8	3	6
Number of Individuals (complainants) filing formal complaints	8	3	5
Number of repeat filers	0	0	0
Number of individuals filing formal complaints by Race/National Origin:			
- Non-minority	0/0	0/0	0/0
- Minority	4/1	0/1	3/3
Percent of NCUA workforce filing complaints (Total Workforce)	0.68% (1,179)	0.25% (1,195)	0.48% (1,255)
Government-wide Complainant rate %	(0.50%)		
Number of formal complaints closed by category:			
- Withdrawn by complainant	2	0	0
- Settlement agreement	3	1	2
- Final Agency Actions w/o EEOC hearing	0	1 (NF)	2*
- Final Agency Actions by with EEOC hearing/ Administrative Law Judge	1 (NF)	0	1 (NF)
	NF=No Finding of Discrimination		*1 NF, 1 Dismissal

(Source: NCUA’s No FEAR report; NCUA’s EEOC Form 462, Study entitled: Trends and Analysis of Discrimination Complaint Activity, dated February 2013, and EEOC FY 2011 Annual Report on Federal Work Force: EEOC Complaint Processing.)



As shown in Table 3 above, NCUA had only one informal EEO complaint from 2011 – 2013 and closed 13 formal complaints through withdrawal, settlement, agency decision, or EEOC/AJ decision.

EEO Policies Out of Date; Online Improvements Necessary to Gain Access to Policies

We determined that NCUA’s current EEO and diversity practices are in compliance with regulation and statute; however, the accompanying internal policies, guidance, and directives are generally out of date and in need of revision. In addition, we determined employee access to these documents through NCUA’s internal network is cumbersome and in need of improvement. NCUA’s Directives System requires

management to ensure that policies, directives, and procedures are kept current to reflect practices. Further, prudent business practices suggest that management needs to ensure that employees can gain access to the agency’s policies and procedures through a simple and streamlined network. Management indicated that many competing priorities led to the lack of fully updating the policies. By not having updated policies, guidance, and directives that match current practice, employees cannot be sure they are viewing accurate information to base decisions.

In its MD-715 report to the EEOC, OMWI reported that management regularly updates its EEO policies and maintains them in the agency’s eLibrary where all employees have access. We confirmed during our review that management updates its Annual EEO Policy and Diversity Statement, which is annually distributed to all employees, as well as EEO-related chapters/topics in the Collective Bargaining Agreement and NCUA’s Personnel Manual.

However, we determined that other EEO policies, guidance, and directives have not been updated and need revision to ensure that not only are they reflective of Federal EEO requirements, but also to ensure they reflect current internal information regarding NCUA’s organizational structure, reporting relationships, and accurate office names and position titles. We discussed this issue with the OMWI Acting Director, who agreed that all EEO-related policies, guidance, and directives must be reviewed and revised to bring them up to date with current practices, which the Acting Director, OMWI advised, up until now have been updated on a flow basis. Management advised the OIG they currently have a Workforce Recruitment Program Intern working in OMWI on this project.

We also determined during this review that all EEO related information continues to be located internally on the former EOP SharePoint site. As previously mentioned, when NCUA management merged OMWI and the (former) EOP group, this action eliminated the EOP group. Given the difficulties the OIG found during this review regarding locating and accessing the policies, directives and procedures related to personnel matters such as EEO and diversity, we believe in its 2014 MD-715 report submission to the EEOC, NCUA management needs to ensure



its next report accurately reflects information related to NCUA’s updated EEO and diversity-related policies. Therefore, we are making the following recommendation to NCUA management.

Recommendation

We recommend NCUA management:

4. Review and update all NCUA internal EEO policies, guidance, and directives to ensure such policies and guidance reflect actual practices and operating structure in compliance with federal requirements. This should include, for example, ensuring that all guidance reflects current office names, proper reporting relationships and accurate position titles, as well as ensuring NCUA’s internal SharePoint site for EEO is updated and reflects accurate information and links to the revised guidance.

Management Response

Management agreed with the recommendation and plans to have OMWI improve the accuracy of NCUA’s EEO policies, guidance and directives by June 2015. Management also agreed to improve employee access to this information.

OIG Response

We concur with management’s planned actions.

Improvements Needed for EEO Case Management System

We determined that NCUA’s current method to manage EEO case files is outdated and in need of replacement. Although NCUA has met all statutory and reporting requirements using its current method, NCUA needs to upgrade its EEO case management capabilities from using hard-copy documents and folders using spreadsheets to track and monitor complaint and mediation activity, to an automated tracking and data storage system. The EEOC requires agencies to produce information related to the location, status, and length of time elapsed at each stage of an agency's complaint resolution process, the issues and the basis of the complaints, the aggrieved individuals/complainants, the involved management officials, and other information necessary to analyze complaint activity and identify trends. We believe an EEO data system to track, monitor, and maintain complaint and mediation activity not only makes the EEO Services group more efficient by removing a labor-intensive function, but also reduces legal risk to NCUA through the ability to timely respond to complaints and requests and maintain accurate and complete case file documentation.



In May 2014, OMWI submitted a needs requirement to NCUA’s Information Technology Prioritization Counsel (ITPC)²² for consideration to purchase an electronic data system to monitor, track, and manage complaints and mediation activity. In the request, OMWI made this its number one IT priority noting that nearly the entire staff would use the data system.

OMWI’s needs requirement explained that procuring a data system would support one of NCUA’s Strategic Goals by enhancing staff effectiveness and efficiency through the use of technology. The needs requirement also explained that such a data system would improve the EEO Services groups’ ability to timely and accurately process, document, compile, and analyze data, information, and trends, noting that having such capability would be essential to not only ensure compliance with EEOC reporting requirements, but would also reduce the risk of adverse findings against the agency.

During our review, the NCUA Board approved funding and implementation for an automated tracking and data storage system for OMWI. Due to the amount of data and number of required reports NCUA must produce every year for Congress, the Department of Justice, OPM, and the EEOC, in addition to posting quarterly complaint data on its website, producing all this data manually is not only labor intensive and inefficient, but NCUA could be at risk of an adverse finding should a deadline be missed in the Federal EEO complaint process. Although NCUA management advised the OIG they plan to implement an EEO data system, it is too soon in the process for management to be able to provide supporting evidence that this project has started in earnest. Therefore, we are making the following recommendation to NCUA management.

Recommendation

We recommend NCUA management:

5. Implement an automated tracking and data storage system for OMWI to ensure EEO Services can accurately and efficiently monitor, track, and maintain NCUA EEO complaints and mediation activity.

Management Response

Management agreed with the recommendation and plans to implement an automated tracking and data storage system to improve the efficiency of EEO Services.

OIG Response

We concur with management’s planned actions.

²² The ITPC prioritizes all NCUA IT need requests based on the ITPC’s evaluation of the requests against four criteria - achieve the mission, meet statutory and regulatory requirements, increase efficiency and effectiveness, and manage organizational risk.



Appendix A: An Analysis of Gender, Race, and Age Differences in Performance Ratings of NCUA Employees: 2011-2013

An Analysis of Gender, Race, and Age Differences in Performance Ratings of NCUA Employees: 2011-2013

October 20, 2014

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Executive Summary

On March 24, 2014, members of the United States House of Representatives Committee on Financial Services sent letters requesting that the Offices of Inspector General (OIGs) for seven financial regulatory agencies perform work to determine whether agency internal operations and personnel practices are systematically disadvantaging minorities and women from obtaining senior management positions. The National Credit Union Administration (NCUA) was one of these agencies.

The OIGs initiated individual assignments with a general overall objective 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. One element of the work was for each OIG to assemble agency-wide performance appraisal data to identify performance ratings distributions by gender, race/ethnicity, age and bargaining unit status (where applicable). This report presents the methodology and results of the analyses conducted for NCUA OIG.

Separate analyses were conducted for overall performance ratings administered in 2011, 2012, and 2013. These analyses were conducted to detect potential performance rating differences based on gender, race/ethnicity, age, and bargaining unit status.

In summarizing the results of the most recent performance period analyzed, 2013, there are no statistically significant gender differences in performance ratings but there are some statistically significant race and age differences. Age differences were in favor of older employees. For race, Whites received statistically significant higher ratings than African Americans for the CU13-CU16 supervisory positions and higher ratings than both African Americans and Asians for jobs at the CU1-CU12 level, especially in jobs covered under a bargaining unit. There were no statistically significant differences between Whites and Hispanics nor were there any statistically significant race differences at the CU13-CU16 level. Sample sizes were too small to determine if there were statistically significant race or age differences for SSP.

Across the three years, there is no pattern for gender, race, and age differences, except for CU1-CU12 level bargaining unit employees. None of the issues found in 2013 were identified in 2011 or 2012 except for the bargaining unit CU1-CU12 employees.

Across all three years, non-bargaining unit employees received higher ratings than did covered employees. This finding was true not only overall, but with the exception of 2012, true even after supervisors, who are not eligible to be covered by a bargaining unit, were removed from the analysis.

Statistically significant group differences do not necessarily indicate discrimination by themselves. Differences in performance ratings could be due to a wide variety of explanations. This report concludes with a number of measures that an agency can take to assess performance rating system content and process.



Introduction

Project Background

On March 24, 2014, members of the United States House of Representatives Committee on Financial Services sent letters requesting that the Offices of Inspector General (OIGs) for seven financial regulatory agencies perform work to determine whether agency internal operations and personnel practices are systematically disadvantaging minorities and women from obtaining senior management positions.¹ The agencies include the following:

- Federal Deposit Insurance Corporation (FDIC)
- Board of Governors of the Federal Reserve System (FRB)
- Consumer Financial Protection Bureau (CFPB)
- Office of the Comptroller of the Currency (OCC)
- Federal Housing Finance Agency (FHFA)
- National Credit Union Administration (NCUA)
- Securities and Exchange Commission (SEC)

The OIGs initiated individual assignments with a general overall objective 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. One element of the work was for each OIG to assemble agency wide performance appraisal data to identify performance ratings distributions by gender, race/ethnicity, age and bargaining unit status (applicable to all agencies except the FRB and FHFA). The FDIC Office of Inspector General (FDIC OIG) offered to engage and fund an independent contractor to perform statistical analyses of the performance appraisal results for each agency to determine whether there are statistically significant differences between groups of interest. DCI Consulting Group was selected to conduct these analyses for each of the agencies except for the Securities and Exchange Commission (SEC).

This report presents the methodology and results of the analyses conducted for NCUA OIG.

The NCUA Performance Rating System

The performance management program at NCUA serves as the basis for determining “pay-for-performance” amounts provided to employees. These increases take two forms: *merit increases*, which affect employees’ base salary and growth over time, and *supplemental lump sum payments*, which are one-time, discrete performance payments. Both of these salary increases are directly tied to, and dependent upon, an employee’s performance rating, meaning that the higher the rating, the higher the increase in compensation.

¹ See the Appendix for a copy of this letter



NCUA has two pay plans, CU and SSP, each with its own rating system. Although the number of critical elements and the weights for those elements will vary by position, the total weight for each position equals 100. For example, the elements and weights for the position of auditor are:

- Planning (20 pts.)
- Fact Finding (15 pts.)
- Analysis and Conclusions (20 pts.)
- Recommendations (15 pts.)
- Written Communication (15 pts.)
- Verbal Communications (15 pts.)

The weights for the auditor total 100 points. Employees other than SSPs are then rated on each of the critical elements for their position using the following scale: Exceeds (3), Meets (2), Minimally Meets (1), or Does Not Meet (0). The element weight is multiplied by the element rating and a score is determined for that critical element. Scores are then tallied for each element and the total score is converted to a final rating. As shown in Table 1, CU1 through CU16² employees have five possible final rating categories they can receive: Unsatisfactory, Minimally Successful, Fully Successful, Highly Successful, and Exceptional. SSPs are rated in the same manner, with the difference being they have five critical rating elements but only four final rating categories (Unsatisfactory, Fully Successful, Highly Successful, and Exceptional). The rating analyzed for this report is the final overall rating.

As shown in Table 2, over 75% of the CU employees and almost 100% of the SSP executives are rated highly successful or exceptional. For both CU and SSP, the ratings have increased slightly each year.

Table 1. NCUA’s Rating Levels and Assigned Point Values³

Overall Rating Level	Pay Plan	
	CU1 – CU16	SSP
Unsatisfactory	0	0
Minimally Successful	1	n/a
Fully Successful	2	1
Highly Successful	3	2
Exceptional	4	3

² The CU16 band has been discontinued but there were a few employees in CU16 in 2011 and 2012 and one employee in CU16 in 2013.

³ The Pay Plan numbers (0-4 for CU1-CU16 and 0-3 for SSPs) were assigned by DCI for analysis purposes only and do not reflect an actual score that an employee would receive as a final rating for achieving a particular rating level.



Table 2. Distribution of Performance Ratings

Pay Plan/Rating	Count			Percent		
	2011	2012	2013	2011	2012	2013
CU						
0 - Unsatisfactory	0	3	0	0.0	0.3	0.0
1 - Minimally Successful	11	13	14	1.0	1.2	1.2
2 - Fully Successful	257	263	265	23.2	24.2	22.8
3 - Highly Successful	570	510	527	51.4	46.8	45.4
4 - Exceptional	270	300	356	24.4	27.5	30.6
SSP						
0 - Unsatisfactory	0	0	0	0.0	0.0	0.0
1 - Fully Successful	0	1	1	0.0	2.3	2.2
2 - Highly Successful	24	18	15	54.5	41.9	32.6
3 - Exceptional	20	24	30	45.5	55.8	65.2



Method

Initial Dataset

NCUA OIG provided DCI with data for 2011, 2012, and 2013. Because of a change from calendar year to fiscal year reporting in 2012, the performance time periods covered for each year are:

- 2011: January 1, 2011 through December 31, 2011 (12 months)
- 2012: January 1, 2012 through September 30, 2012 (9 months)
- 2013: October 1, 2012 through September 30, 2013 (12 months)

The differing amounts of time represented by the three performance time periods will not affect the analysis outcomes. Information for each year included:

- Office/Region
- Performance year
- Position title
- Pay Plan – Occupational Series – Grade
- Office location
- Overall rating
- Age
- Race/National origin
- Gender
- Bargaining unit status (BU/Non-BU)
- Whether the employee was 40 years of age or older

The dataset for each year included all employees who were on the NCUA payroll for that year. Employees from OIG were not included. Prior to sending the dataset, NCUA OIG removed employees who had not been with the agency long enough (90 days) to receive a performance rating. Neither employee name nor employee number was included in the dataset.

Race/Ethnicity Grouping

The first step in the analysis process was to place employees into race/ethnicity and age groups. Employees who listed only one race/ethnicity (e.g., White, Asian) were placed into that race/ethnicity category and those listing more than one race/ethnicity (e.g., Asian and White) were placed into the category of “Two or more.”⁴ Employees who belonged to a race/ethnicity category with fewer than three employees, were included in the gender and age analyses but were omitted from the race/ethnicity analyses. Table 3 shows the race/ethnicity groupings agreed upon by the agencies.

⁴ As shown in Table 4, the exception to this was that any employees identifying themselves as Hispanic, regardless of whether they listed any other races, were counted as Hispanic rather than “Two or More.”



Table 3. Crosswalk Between Race/Ethnicity From Dataset and Race/Ethnicity Analysis Groups

Analysis Grouping	Race/Ethnicity Categories in Dataset
White, Non-Hispanic (White)	<ul style="list-style-type: none"> • White • White, not of Hispanic origin • Not Hispanic in Puerto Rico
Asian	<ul style="list-style-type: none"> • Asian
Black or African American (African American)	<ul style="list-style-type: none"> • Black or African American • Black, not of Hispanic Origin
Hispanic or Latino (Hispanic)	<ul style="list-style-type: none"> • Hispanic • Hispanic or Latino • Hispanic or Latino, American Indian or Alaska Native • Hispanic or Latino, Black or African American • Hispanic or Latino, Black or African American, White • Hispanic or Latino, White
Native Hawaiian or Other Pacific Islander (Native Hawaiian)	<ul style="list-style-type: none"> • Native Hawaiian • Other Pacific Islander
American Indian or Alaska Native (American Indian)	<ul style="list-style-type: none"> • American Indian • Alaska Native • American Indian/Alaska Native
Two or more races	<ul style="list-style-type: none"> • American Indian or Alaska Native, Black • American Indian or Alaska Native, White • Asian, Black or African American • Asian, Native Hawaiian or Other Pacific Islander • Black or African American, White • Native Hawaiian, White • Other Pacific Islander, White

Bargaining Unit

To compare the ratings of employees covered under a bargaining unit (BU) versus those not covered under a bargaining unit (NBU), we created a variable called bargaining unit status and placed employees into one of three classifications:

- Covered under a bargaining unit
- Not covered under a bargaining unit
- Not eligible to be in a bargaining unit (SSP, supervisors in CU)

In the first analysis, we included all CU employees⁵, including supervisors. In the second analysis, we removed the supervisors because they are not eligible to be covered by a bargaining unit and compared only non-supervisors. It is important to keep in mind that we did not have data regarding which employees were actually union members; only whether they were covered under a bargaining unit.

⁵ SSP employees were not included in this analysis because their performance is appraised on a four-point scale rather than the five-point scale used for CU employees. No SSP employees are eligible to be covered under a bargaining unit.



Age Grouping

The final step in the data preparation process was to assign each employee to an age group. On the basis of age, employees were placed into one of two categories: those younger than 40 years of age and those 40 years of age or older. These categories were chosen to be consistent with the Age Discrimination in Employment Act (ADEA). The category placement was based on the employee’s age on the first day of the performance period for each of the three years. Table 4 depicts the race/ethnicity, gender, and age breakdown for each of the three years.

Table 4. Number of Employees by Gender, Race, and Age

Demographic Group	Year		
	2011	2012	2013
TOTAL	1,152	1,132	1,208
Gender			
Female	518	508	521
Male	634	624	687
Race/Ethnicity			
White	863	837	886
Black or African American	158	160	172
Asian	56	59	67
Hispanic	47	50	54
Two or more	17	15	19
Native American/Alaska Native	6	6	7
Native Hawaiian/Pacific Islander	5	5	3
Unspecified	0	0	0
Age			
Under 40	402	362	394
40+	750	770	814

Data Integrity

To ensure the integrity of the data classifications, two consultants reviewed the initial dataset and independently placed employees into the various categories previously discussed. Any discrepancies between the two categorization attempts were researched and resolved. To ensure the accuracy of the statistical analyses, the analyses were conducted twice by separate consultants using different analysis programs (i.e., SAS, SPSS, Excel, HR Equator). These separate analyses yielded identical results.



Data Analysis Methodology

The OIGs for each agency agreed that the analyses would be conducted at two levels for all agencies: Overall and by bargaining unit status (i.e. BU v. NBU). Each agency then determined other levels of analysis that made sense for the agency. NCUA OIG asked that analyses also be conducted by level (SSP, CU13-CU16, & CU1-CU12) and that the CU13-CU16 level also be split by supervisory and non-supervisory jobs. Because NCUA has different rating scales for SSP and CU1-CU16 jobs, it was not possible to conduct an analysis at the overall agency level.

To compare the differences in the mean performance ratings across gender, race/ethnicity, age, and bargaining union status, tests of both statistical significance and practical significance were used.⁶ Tests of statistical significance indicate the probability that the 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, t-tests were used⁷. To assess statistical significance, DCI 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. This threshold for identifying a statistically significant difference generally corresponds to a t-value of 1.96 (although this value may vary slightly depending on sample size). Any t-value highlighted in the results tables was statistically significant at an alpha level of .05.

To determine practical significance, two measures were used: the percent differences between the two groups and d-scores. A d-score indicates the size of the difference in terms of standard deviations. That is, a d of 1.0 indicates that the two groups differed by a full standard deviation (a large effect) whereas a d of 0.10 indicates that the two groups differed by a tenth of a standard deviation (a small effect).

Table 5 will be helpful in interpreting the d-scores observed for NCUA. The table summarizes a combination of d-scores obtained in a meta-analysis⁸ by Roth, Huffcutt, and Bobko (2003)⁹ on

⁶ Statistical analyses were only conducted when comparisons included 5 or more employees in each group. This decision was based on professional judgment. Small sample results are often non-representative, unstable and can change substantially with small changes in the data. Samples too small for analyses are labeled n/a in results tables.

⁷ For each comparison, we tested the assumption of equal variances between the two groups. If this test indicated unequal variances, a t-test for unequal variances was used (Welch’s t-test). If the Welch’s t-test changed the significance interpretation from that of the initial Student’s t-test, the Welch’s t-test value was listed in the table.

⁸ A meta-analysis is a study that statistically combines the results of all 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. Interested readers should refer to the references below for more information related to specific studies.



racial differences, a meta-analysis by McKay and McDaniel (2006)¹⁰ on Black-White differences, a meta-analysis by Roth, Purvis, and Bobko (2012)¹¹ on gender differences, as well as internal research conducted by DCI. Thus, Table 5 represents the gender and race differences that are “typically found” in studies of performance appraisal differences. There have been no meta-analyses comparing performance ratings of employees over and under 40 or between different bargaining statuses.

Table 5. “Typical” d Scores Found in Performance Rating Studies

Comparison	Level of Analysis	
	Company Wide	By Title
Male – Female	-0.07	-0.08
White – Black	0.34	0.22
White - Hispanic	0.14	0.07
White – Asian	0.08	0.00

Note: Negative d-scores indicate females have higher ratings than males. 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.

⁹ 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.

¹⁰ 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.

¹¹ 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.



Analysis Results

Gender

As shown in Table 6, there were no statistically significant gender differences in the overall performance ratings administered in 2013. The same is true for performance ratings administered in 2011. Thus for those two years, there were no gender differences by level or by bargaining unit status.

For 2012, however, there was a different pattern. Although there were no statistically significant gender differences in the ratings for the SSP, CU13-CU16, or CU1-CU12 levels, male supervisors in CU13-CU16 received statistically significant higher ratings than did female supervisors. The effect size of this difference ($d = 0.43$) is much larger than the effect sizes normally seen for gender ($d = -0.07$). A similar difference was found in 2012 ($d = 0.46$) for employees who were not covered by a bargaining unit, the vast majority of which were supervisors. When the supervisors were removed from the analysis, the gender difference was no longer statistically significant.

Race/Ethnicity

White to African-American Comparison

As shown in Table 7, in 2013, Whites received higher ratings than African Americans for the supervisors in CU13-CU16 as well as higher ratings for employees in a bargaining unit. These differences were statistically significant. The effect size for the difference between White and African American supervisors in CU13-CU16 (0.53) is higher than normally found in White to African American comparisons of performance ratings.

For 2012, Whites again received higher ratings than African Americans for the supervisors in CU13-CU16. This difference was statistically significant. The effect size for this difference (0.70) is higher than the .34 normally found in White to African American comparisons of performance ratings.

For 2011, there were no statistically significant differences at the CU13-CU16 level. For the CU1-CU12 level, however, Whites received statistically significant higher ratings than African Americans. Likewise, Whites covered under a bargaining unit received statistically significant higher ratings than African Americans covered under a bargaining unit. The effect sizes for these two findings, 0.22 and 0.26 respectively, are smaller than the 0.34 normally found in White to African American comparisons of performance ratings.

It should be noted that there were not enough African Americans at the SSP level in any of the three years to test for statistically significant differences. There was one African-American executive in 2011, three in 2012, and four in 2013.



Table 6. Analysis Results - Gender Comparison

Year/Unit of Analysis	Count		Avg Rating		Statistics		
	M	F	M	F	t-value	% diff	d
2013							
SSP	26	20	2.69	2.55	0.90	5.6	0.27
CU13-CU16	246	197	3.22	3.25	-0.44	-0.9	-0.04
Supervisory	66	52	3.24	3.23	0.09	0.4	0.02
Non-Supervisory	180	145	3.22	3.26	-0.57	-1.4	-0.06
CU1-CU12	415	304	2.91	2.98	-1.25	-2.4	-0.09
Bargaining Unit	569	418	2.98	3.06	-1.54	-2.5	-0.10
Non-Bargaining Unit	94	83	3.29	3.24	0.43	1.4	0.07
Non-Supervisors	24	28	3.46	3.25	1.10	6.4	0.31
2012							
SSP	25	18	2.52	2.56	-0.21	-1.4	-0.06
CU13-CU16	221	183	3.19	3.17	0.26	0.6	0.03
Supervisory	64	43	3.38	3.09	2.19	9.1	0.43
Non-Supervisory	157	140	3.12	3.20	-0.88	-2.5	-0.10
CU1-CU12	378	307	2.89	2.89	0.03	0.1	0.00
Bargaining Unit	513	413	2.94	2.99	-0.82	-1.4	-0.05
Non-Bargaining Unit	87	78	3.37	3.05	2.93	10.4	0.46
Non-Supervisors	19	33	3.32	2.97	1.52	11.7	0.44
2011							
SSP	30	14	2.53	2.29	1.54	10.8	0.50
CU13-CU16	217	176	3.12	3.20	-1.06	-2.3	-0.11
Supervisory	63	40	3.25	3.20	0.41	1.7	0.08
Non-Supervisory	154	136	3.07	3.20	-1.54	-4.0	-0.18
CU1-CU12	387	328	2.88	2.92	-0.69	-1.3	-0.05
Bargaining Unit	518	433	2.92	2.98	-1.37	-2.2	-0.09
Non-Bargaining Unit	87	72	3.30	3.24	0.62	1.9	0.10
Non-Supervisors	20	30	3.35	3.23	0.66	3.6	0.19

Note: SSP ratings are on a 0-3 scale whereas CU ratings are on a 0-4 scale

Note: Grade CU16 has been discontinued in 2014. There was only one CU16 in 2013

Note: Negative *t*-values indicate females received higher ratings than males

t-values highlighted in orange indicate *t*-value is statistically significant favoring females

t-values highlighted in gray indicate *t*-value is statistically significant favoring males



Table 7. Analysis Results - Race: White to African American Comparison

Year/Unit of Analysis	Count		Avg Rating		Statistics		
	W	AA	W	AA	t-value	% diff	d
2013							
SSP	37	4	2.68	n/a	n/a	n/a	n/a
CU13-CU16	343	49	3.25	3.10	1.39	4.9	0.21
Supervisory	103	7	3.24	2.86	2.40	13.5	0.53
Non-Supervisory	240	42	3.26	3.14	0.97	3.7	0.16
CU1-CU12	506	119	2.99	2.84	1.92	5.3	0.20
Bargaining Unit	712	142	3.06	2.88	2.53	6.2	0.23
Non-Bargaining Unit	139	26	3.29	3.12	1.20	5.8	0.26
Non-Supervisors	33	16	3.48	3.25	1.20	7.2	0.37
2012							
SSP	36	3	2.58	n/a	n/a	n/a	n/a
CU13-CU16	315	46	3.22	2.93	2.37	9.6	0.37
Supervisory	92	6	3.29	2.83	2.55	16.2	0.70
Non-Supervisory	223	40	3.18	2.95	1.74	7.9	0.30
CU1-CU12	486	111	2.95	2.86	1.15	3.2	0.12
Bargaining Unit	679	131	3.01	2.89	1.62	4.2	0.15
Non-Bargaining Unit	124	26	3.31	2.85	3.11	16.2	0.67
Non-Supervisors	30	17	3.33	2.76	2.19	20.6	0.75
2011							
SSP	39	1	2.44	n/a	n/a	n/a	n/a
CU13-CU16	309	41	3.16	3.10	0.56	2.1	0.09
Supervisory	90	5	3.24	2.80	1.49	15.9	0.68
Non-Supervisory	219	36	3.13	3.14	-0.09	-0.4	-0.02
CU1-CU12	515	116	2.95	2.79	2.10	5.6	0.22
Bargaining Unit	704	134	2.99	2.80	2.76	6.7	0.26
Non-Bargaining Unit	122	23	3.26	3.30	-0.29	-1.3	-0.07
Non-Supervisors	30	15	3.27	3.40	-0.70	-3.9	-0.22

Note: SSP ratings are on a 0-3 scale whereas CU ratings are on a 0-4 scale

Note: Grade CU16 has been discontinued in 2014. There was only one CU16 in 2013

Note: Negative t-values indicate African Americans received higher ratings than Whites

t-values highlighted in orange indicate t-value is statistically significant favoring African Americans

t-values highlighted in gray indicate t-value is statistically significant favoring Whites



White to Hispanic Comparison

As shown in Table 8, there was only one statistically significant White-Hispanic difference in any of the three years: Hispanics received *higher* ratings than Whites for employees not represented by a bargaining unit in 2013.

White to Asian Comparison

As shown in Table 9, in all three years, Whites received statistically significant higher ratings than Asians at the CU1-CU12 level. The effect size for these differences ($d = .51$, $d = .57$, $d = .41$) are much higher than the effect size of .08 typically found for White-Asian comparisons. White employees covered under a bargaining unit in both 2013 and 2012 received statistically significant higher ratings than did Asians covered under a bargaining unit.

It should be noted that there were not enough Asians at the SSP level in any of the three years to test for statistically significant differences. There were two Asian executives in each of the three years.

Age

As shown in Table 10, there were several statistically significant age differences across the three years. These statistically significant differences, however, favored the older employees (40+). This is a finding that makes sense, given that older employees probably have more experience than younger employees, but the direction of this statistically significant difference is not what DCI typically observes in these types of analyses.

In each of the three years, older employees covered under a bargaining agreement received statistically significant higher ratings than did younger employees covered under a bargaining agreement. In 2011 and 2012, older employees in CU1-CU12 received higher ratings than did younger employees.

It should be noted that there were not enough younger employees (<40) at the SSP level in any of the three years to test for statistically significant differences. There were three executives younger than 40 in each of the three years.

Bargaining Unit Status

As shown in Table 11, for all three years, when supervisors were included in the analysis, employees who were not represented by a bargaining unit received statistically significant higher performance ratings than did employees who were represented by a bargaining unit. For 2011 and 2013, this finding was true whether the analysis included supervisors or not. For 2012, the difference was not statistically significant if supervisors were removed from the analysis. As mentioned previously, SSP employees were not included in this analysis because their performance rating scale is different than the CU employees.



Table 8. Analysis Results - Race: White to Hispanic Comparison

Year/Unit of Analysis	Count		Avg Rating		Statistics		
	W	H	W	H	t-value	% diff	d
2013							
SSP	37	2	2.68	n/a	n/a	n/a	n/a
CU13-CU16	343	22	3.25	3.32	-0.42	-1.9	-0.09
Supervisory	103	5	3.24	3.80	-1.65	-14.7	-0.76
Non-Supervisory	240	17	3.26	3.18	0.48	2.6	0.12
CU1-CU12	506	30	2.99	3.03	-0.28	-1.4	-0.05
Bargaining Unit	712	46	3.06	3.07	-0.05	-0.2	-0.01
Non-Bargaining Unit	139	6	3.29	3.83	-3.04	-14.0	-0.77
Non-Supervisors	33	0	3.48	n/a	n/a	n/a	n/a
2012							
SSP	36	1	2.58	n/a	n/a	n/a	n/a
CU13-CU16	315	23	3.22	3.22	-0.01	0.0	0.00
Supervisory	92	6	3.29	3.50	-0.74	-5.9	-0.31
Non-Supervisory	223	17	3.18	3.12	0.36	2.1	0.09
CU1-CU12	486	26	2.95	2.85	0.68	3.6	0.14
Bargaining Unit	679	41	3.01	2.90	0.86	3.6	0.14
Non-Bargaining Unit	124	8	3.31	3.63	-1.35	-8.8	-0.49
Non-Supervisors	30	1	3.33	n/a	n/a	n/a	n/a
2011							
SSP	39	1	2.44	n/a	n/a	n/a	n/a
CU13-CU16	309	22	3.16	3.14	0.17	0.8	0.04
Supervisory	90	5	3.24	3.60	-1.18	-9.9	-0.54
Non-Supervisory	219	17	3.13	3.00	0.77	4.3	0.19
CU1-CU12	515	24	2.95	2.88	0.50	2.6	0.10
Bargaining Unit	704	39	2.99	2.87	1.00	4.0	0.16
Non-Bargaining Unit	122	7	3.26	3.71	-1.80	-12.2	-0.70
Non-Supervisors	30	1	3.27	n/a	n/a	n/a	n/a

Note: SSP ratings are on a 0-3 scale whereas CU ratings are on a 0-4 scale

Note: Grade CU16 has been discontinued in 2014. There was only one CU16 in 2013

Note: Negative t-values indicate Hispanics received higher ratings than Whites

t-values highlighted in orange indicate t-value is statistically significant favoring Hispanics

t-values highlighted in gray indicate t-value is statistically significant favoring Whites



Table 9. Analysis Results - Race: White to Asian Comparison

Year/Unit of Analysis	Count		Avg Rating		Statistics		
	W	A	W	A	t-value	% diff	d
2013							
SSP	37	2	2.68	n/a	n/a	n/a	n/a
CU13-CU16	343	23	3.25	3.26	-0.05	-0.2	-0.01
Supervisory	103	3	n/a	n/a	n/a	n/a	n/a
Non-Supervisory	240	20	3.26	3.30	-0.26	-1.3	-0.06
CU1-CU12	506	42	2.99	2.60	3.20	15.3	0.51
Bargaining Unit	712	61	3.06	2.84	2.19	7.9	0.29
Non-Bargaining Unit	139	4	3.29	n/a	n/a	n/a	n/a
Non-Supervisors	33	1	3.48	n/a	n/a	n/a	n/a
2012							
SSP	36	2	2.58	n/a	n/a	n/a	n/a
CU13-CU16	315	15	3.22	3.20	0.08	0.5	0.02
Supervisory	92	2	3.29	n/a	n/a	n/a	n/a
Non-Supervisory	223	13	3.18	3.31	-0.58	-3.7	-0.17
CU1-CU12	486	42	2.95	2.52	3.53	16.8	0.57
Bargaining Unit	679	53	3.01	2.72	2.66	10.6	0.38
Non-Bargaining Unit	124	4	3.31	n/a	n/a	n/a	n/a
Non-Supervisors	30	2	3.33	n/a	n/a	n/a	n/a
2011							
SSP	39	2	2.44	n/a	n/a	n/a	n/a
CU13-CU16	309	16	3.16	3.25	-0.52	-2.7	-0.13
Supervisory	90	2	3.24	n/a	n/a	n/a	n/a
Non-Supervisory	219	14	3.13	3.29	-0.87	-4.8	-0.24
CU1-CU12	515	38	2.95	2.66	2.43	11.0	0.41
Bargaining Unit	704	50	2.99	2.84	1.43	5.2	0.21
Non-Bargaining Unit	122	4	3.26	n/a	n/a	n/a	n/a
Non-Supervisors	30	2	3.27	n/a	n/a	n/a	n/a

Note: SSP ratings are on a 0-3 scale whereas CU ratings are on a 0-4 scale

Note: Grade CU16 has been discontinued in 2014. There was only one CU16 in 2013

Note: Negative t-values indicate Asians received higher ratings than Whites

t-values highlighted in orange indicate t-value is statistically significant favoring Asians

t-values highlighted in gray indicate t-value is statistically significant favoring Whites



Table 10. Analysis Results - Age Comparison

Year/Unit of Analysis	Count		Avg Rating		Statistics		
	<40	≥40	<40	≥40	t-value	% diff	d
2013							
SSP	3	43	n/a	2.60	n/a	n/a	n/a
CU13-CU16	62	381	3.23	3.24	-0.13	-0.4	-0.02
Supervisory	12	106	3.17	3.25	-0.35	-2.4	-0.11
Non-Supervisory	50	275	3.24	3.24	0.03	0.1	0.01
CU1-CU12	329	390	2.93	2.95	-0.47	-0.9	-0.03
Bargaining Unit	368	619	2.95	3.05	-1.98	-3.3	-0.13
Non-Bargaining Unit	23	154	3.30	3.26	0.28	1.4	0.06
Non-Supervisors	11	41	3.45	3.32	0.59	4.1	0.20
2012							
SSP	3	40	n/a	2.53	n/a	n/a	n/a
CU13-CU16	52	352	3.17	3.19	-0.13	-0.5	-0.02
Supervisory	7	100	3.00	3.28	-1.08	-8.5	-0.42
Non-Supervisory	45	252	3.20	3.15	0.39	1.6	0.06
CU1-CU12	307	378	2.79	2.97	-3.07	-6.0	-0.24
Bargaining Unit	338	588	2.83	3.04	-3.94	-6.8	-0.27
Non-Bargaining Unit	21	144	3.14	3.23	-0.52	-2.7	-0.12
Non-Supervisors	14	38	3.21	3.05	0.64	5.3	0.20
2011							
SSP	3	41	n/a	2.49	n/a	n/a	n/a
CU13-CU16	58	335	3.07	3.17	-1.06	-3.3	-0.15
Supervisory	9	94	3.00	3.26	-1.14	-7.8	-0.40
Non-Supervisory	49	241	3.08	3.14	-0.54	-1.9	-0.08
CU1-CU12	341	374	2.79	3.00	-4.02	-7.1	-0.30
Bargaining Unit	373	578	2.81	3.03	-4.67	-7.3	-0.31
Non-Bargaining Unit	26	133	3.12	3.30	-1.37	-5.6	-0.29
Non-Supervisors	17	33	3.18	3.33	-0.86	-4.7	-0.26

Note: SSP ratings are on a 1-4 scale whereas CU ratings are on a 1-5 scale

Note: Grade CU16 has been discontinued in 2014. There was only one CU16 in 2013

Note: Negative t-values indicate older employees received higher ratings than younger employees

t-values highlighted in orange indicate t-value is statistically significant favoring older employees

t-values highlighted in gray indicate t-value is statistically significant favoring younger employees



Table 11. Analysis Results - Bargaining Unit Comparison

Year/Unit of Analysis	Count		Avg Rating		Statistics		
	NBU	BU	NBU	BU	t-value	% diff	d
2013							
Supervisors included	175	987	3.27	3.02	4.07	7.6	0.33
No supervisors	50	958	3.35	3.02	3.05	9.9	0.43
2012							
Supervisors included	163	926	3.23	2.96	4.09	8.4	0.35
No supervisors	40	848	3.10	2.96	1.21	4.5	0.18
2011							
Supervisors included	157	951	3.28	2.94	5.50	10.4	0.47
No supervisors	43	910	3.28	2.94	3.23	10.4	0.47

Note: BU - Bargaining Unit, NBU = Non-Bargaining Unit

Positive t-values indicate that NBU employees received higher ratings than BU employees

t-values highlighted in gray indicate a statistically significant difference favoring NBU employees

t-values highlighted in orange indicate a statistically significant difference favoring BU employees



Conclusions and Discussion

This report summarized the methodology and results of analyses related to subgroup differences on overall performance ratings administered in 2011, 2012, and 2013 at NCUA. These analyses were conducted to detect potential performance rating differences based on gender, race/ethnicity age and bargaining status. Analyses were conducted at various levels of analysis. Both statistical significance tests (e.g., t-tests) and effect sizes (e.g., d-scores) were evaluated to determine whether differences were meaningful. Standard social science criteria (e.g., alpha = .05) were used to interpret statistical significance, and effect sizes were compared to typical results found in the personnel selection research literature.

In summarizing the results of the most recent performance period analyzed, 2013, there are no statistically significant gender differences in performance ratings but that there are some statistically significant race/ethnicity and age differences. The age differences don't seem to be problematic given that the presumably more experienced older workers received the higher ratings. For race, Whites received higher ratings than African Americans in the CU13-CU16 supervisory positions and higher ratings than both African Americans and Asians for jobs at the CU1-CU12 level, especially in jobs covered under a bargaining unit. These differences were statistically significant. Whereas the effect sizes for the Black-White differences were a bit smaller than normally found in these types of studies, the White-Asian effect sizes are much higher.

There were no statistically significant differences between Whites and Hispanics nor were there any statistically significant race/ethnicity differences at the CU13-CU16 level. Sample sizes were too small to determine if there were statistically significant race/ethnicity or age difference for SSP.

Across the three years, there is no pattern for gender, race, and age differences, except for CU1-CU12 level bargaining unit employees. None of the issues found in 2013 were identified in 2011 or 2012 except for the bargaining unit CU1-CU12 employees.

In terms of bargaining unit differences, there were statistically significant differences for all three years between employees covered or not covered under a bargaining agreement. Non-bargaining unit employees had higher ratings than covered employees not only overall, but with the exception of 2012, true even after supervisors, who are not eligible to be covered by a bargaining unit, were removed from the analysis.



Interpreting Statistically Significant Findings

It is important to understand that a statistically significant difference in ratings based on gender, race/ethnicity, age or bargaining unit does not necessarily indicate that discrimination is occurring. Such group differences could be due to actual differences in performance, regional differences in ratings, job family differences in ratings (i.e., supervisors in certain fields are more strict or lenient than supervisors in other fields) or some combination of all these factors.

To investigate whether any group differences are due to actual differences in performance or other factors rather than to discrimination, a number of measures could be taken to assess an agency’s performance rating system process and content. These include verification that:

- The performance appraisal dimensions are job related;
- The performance appraisal system is adequately structured;
- Supervisors making the performance evaluations receive training;
- There is a system in place for management to review supervisor’s performance ratings to determine if there are any patterns (e.g., racial or gender differences) that need to be reviewed;
- There is an appeal process for employees who believe their performance ratings are not accurate;
- There is a standardized, objective system for making employment decisions (e.g., merit increases, promotions) on the basis of the performance ratings.
- There is a well-developed feedback system through which employees can receive information about their performance that will promote their future development and enable them to improve job performance.

Potential Future Analyses

As described above, in cases where statistically significant differences exist, we generally recommend that the performance appraisal system be evaluated along the dimensions described above. In addition, a number of follow up analyses may be useful for interpreting results and gaining a clearer understanding of what factors may be driving those findings.

First, the analyses for this report were conducted at three levels: SSP, CU13-CU16, and CU1-CU12. It might be useful to conduct further analyses by such strata as salary band (e.g., CU1, CU2), region or location, and job title. In some instances job level results may be further explained by more nuanced analyses at more granular levels.

Second, examining the interaction between the race/ethnicity and gender of the employee and the race/ethnicity and gender of the supervisor might also provide some insight into the statistically significant group differences. In some instances rater-ratee interactions may further explain results.



Third, because the analyses in this report focused on the overall rating, it might be informative to look at group differences in the initial element ratings, to determine whether a particular element could be driving results.

Fourth, it may be useful to analyze tangible employment outcomes that are directly or indirectly linked to performance ratings. For example, merit raises, bonuses and promotion decisions could all be analyzed across the protected groups discussed in this report. This set of analyses could provide a broader perspective on equal employment opportunity outcomes across groups.



Appendix I

Letter from Congress



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

Inspector General James Hagen
National Credit Union Administration
Office of Inspector General
P. O. Box 25705
Alexandria, VA 22313-5705

Dear Inspector General Hagen:

We write to request that the Office of the Inspector General (OIG) for the National Credit Union Administration (NCUA) 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 National Credit Union Administration’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 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.



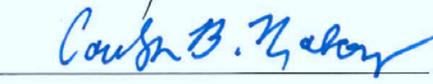
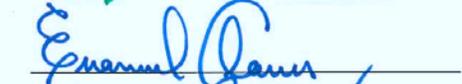
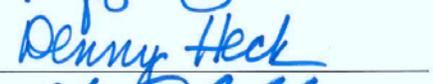
Inspector General James Hagen
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March 24, 2014

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 National Credit Union Administration 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,



Appendix B: NCUA Management Response

National Credit Union Administration



Executive Director

OED/JEK:jkl

SENT BY E-MAIL

TO: Inspector General Jim Hagen
FROM: Executive Director Mark Treichel 
SUBJ: Response to Review of NCUA’s Efforts to Promote Equal Opportunity and Achieve Diversity in Senior Management
DATE: November 24, 2014

The following is NCUA’s response to your request for comment on the report titled, “*Review of NCUA’s Efforts to Promote Equal Opportunity and Achieve Diversity in Senior Management.*” Thank you for the opportunity to review and comment on the findings and recommendations.

We have emphasized increasing diversity through all levels of NCUA and appreciate that your report recognizes several of the positive steps taken. The emphasis on diversity and equal opportunity was one of Chairman Debbie Matz’s stated priorities when she became Chairman in 2009 and that commitment continues.

We are showing improved results with increasing our diversity within our Senior Staff Positions (SSP) and overall management ranks. Our efforts in this area are paying dividends as noted in a few key trends. Minority SSP hires in the last three years include 23 percent of total SSP hires in 2012, 14 percent in 2013, and 33 percent so far in 2014. Additionally, 80 percent of our Executive Leadership Program graduates who have become supervisors are minorities or woman. Forty-eight percent of the Management Development Program graduates who have become supervisors are minorities or woman.

We recognize there are additional ways to improve our diversity and promote equal opportunity, so we concur with all recommendations. Below is an outline of our plan of action from the Office of Minority and Woman Inclusion (OMWI) and the Office of Human Resources (OHR).

Recommendation 1: Conduct additional microanalysis of NCUA’s performance ratings that includes employee experience as a factor. This could also include, for example, reviewing ratings by salary bands, regions, offices, job titles, and race/ethnicity and gender of the employee and supervisor (rater – ratee interactions).

Response: OHR will complete additional analysis that factors employee experience, among others, and determine if discriminatory practices exist that warrant action regarding Recommendation 2. The analysis will be completed by June 2015.



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Recommendation 2: If the further analysis discloses discriminatory practices are occurring, assess NCUA’s performance rating system process and content to ensure it is adequately structured. This could include, for example, reviewing such items as job related appraisal dimensions, training for supervisors, controls to determine if patterns exist (e.g., racial or gender differences), and an adequate appeals process.

Response: If the analysis completed in Recommendation 1 discloses discriminatory practices are occurring, OHR will lead an assessment of our performance rating system to ensure it is adequately structured. If necessary, this assessment will be completed by June 2016.

Recommendation 3: Analyze and compare the appropriate tables in its yearly MD-715 submissions to the EEOC to determine whether a barrier analysis is necessary based on NCUA’s data flow.

Response: OMWI will ensure appropriate barrier analysis is completed if our review of the MD-715 report discloses potential barriers exist. Complying with this recommendation is contingent on being able to acquire the necessary data flow information. We commit to continuing to work to obtain the data so we can analyze it. There is an interagency group working for a common solution to obtaining this data as this issue exists for several other agencies and we will work with this group as one avenue to acquiring the needed information.

Recommendation 4: Review and update all NCUA internal EEO policies, guidance, and directives to ensure such policies and guidance reflect actual practices and operating structure in compliance with federal requirements. This should include, for example, ensuring that all guidance reflects current office names, proper reporting relationships and accurate position titles, as well as ensuring NCUA’s internal SharePoint site for EEO is updated and reflects accurate information and links to the revised guidance.

Response: OMWI will improve the accuracy of our EEO policies, guidance and directives and make sure each reflects the current compliant practices we employ by June 2015. We will also improve the access to the information for staff.

Recommendation 5: Implement an automated tracking and data storage system for OMWI to ensure EEO Services can accurately and efficiently monitor, track, and maintain NCUA EEO complaints and mediation activity.

Response: The NCUA Board 2015 budget includes funding to implement an automated tracking and data storage system to improve the efficiency of EEO Services.

If you have any questions, please do not hesitate to contact my office.