



# **NCUA Annual Performance Plan 2003**

# NCUA

## Annual Performance Plan 2003

This document, a companion to the NCUA Strategic Plan 2003-2008, identifies the Agency's goals and objectives for the year 2003. This plan is the first annual performance plan based on the newly approved NCUA Strategic Plan 2003 – 2008.

This plan is a product of the National Credit Union Administration (NCUA). The National Credit Union Administration, governed by a three-member board appointed by the President and confirmed by the Senate, is the independent federal agency that regulates, charters and supervises federal credit unions. NCUA, with the backing of the full faith and credit of the U.S. government, operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of more than 80 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions. NCUA is funded by credit unions and receives no federal tax dollars. Comments and/or recommendations may be sent via e-mail to the Office of Strategic Program Support and Planning, [strategicplanning@ncua.gov](mailto:strategicplanning@ncua.gov).

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## **National Credit Union Administration**

### **Annual Performance Plan 2003**

#### **Introduction**

This document represents the National Credit Union Administration's (NCUA) Annual Performance Plan 2003. This plan is the first annual performance plan based on the newly approved NCUA Strategic Plan 2003 – 2008.

#### **Background**

In 1999, NCUA developed its strategic plan for fiscal years 2000 – 2005, in response to internal and external forces changing the shape of the credit union community. Today, these forces continue to evolve and are becoming ever more complex. As a result of this continuing change and the refinement of federal requirements for strategic and performance planning and reporting, NCUA revisited its entire strategic planning process.

In support of NCUA Strategic Plan 2000 - 2005, NCUA formed the Strategic Management Council (SMC), which is tasked with exploring options for assessing financial and industry trends as they apply to the agency's strategic planning process. The SMC provides recommendations and guidance for the agency's long-term vision and direction. Its

mission is to continually enhance and better focus NCUA's operations at the strategic level through the alignment of agency resources. The SMC also works with the agency's Information Technology Oversight Committee to ensure the alignment of the agency's Information Technology Strategic and Annual Plans with NCUA's Strategic Goals.

Recently, as part of NCUA's Accountability in Management Study (AIM), the agency's planning, emerging issues, and capital markets functions were combined into the Office of Strategic Program Support and Planning.

In response to the forces of change, NCUA has also shifted its focus. Guided by the concepts of safety and soundness, NCUA has renewed its commitment to provide a prudent, sound, and flexible regulatory environment. With an emphasis on the future, NCUA will continue its efforts to ensure the benefits of credit union membership are available to people from all walks of life.

### **Strategic Plan 2003 – 2008 Changes**

NCUA continues to refine its strategic goals, focusing not only on the credit union community at large, but also on its internal organization and processes. This shift in focus resulted in an update of NCUA's strategic goals for 2003 - 2008. NCUA Annual Performance Plan 2003 is based on the newly approved NCUA Strategic Plan 2003 – 2008.

### **Appendices**

The attached appendices were developed as an integral part of NCUA Strategic Plan 2003 – 2008. The appendices include several additional Office of Management and Budget requirements not only for 2003, but also for years 2004 – 2008. In subsequent annual plans, the appendices may be modified in response to changing conditions.

## **Vision, Mission, and Values**

### **NCUA**

The National Credit Union Administration (NCUA) is an independent federal agency that charters and supervises federal credit unions and, through management of the National Credit Union Share Insurance Fund (NCUSIF), insures the majority of member deposits held in the nation's credit unions. NCUA also works in cooperation with the state supervisory authorities to maintain the safety and soundness of state chartered credit unions insured by the NCUSIF. NCUA is funded by the credit unions it insures and regulates and receives no federal tax dollars in the execution of its mission.

### **Vision**

Ensure the cooperative credit union movement can safely provide financial services to all segments of American society, enabling credit unions and their members to thrive in the twenty-first century.

### **Mission**

Our charge is to foster the safety and soundness of federally insured credit unions and to better enable the credit union community to extend availability of financial services for provident and productive purposes to all who seek such service, while recognizing and encouraging the historical emphasis by credit unions on extension of financial services to those of modest means.

We do this by managing the NCUSIF in an efficient and prudent manner, and establishing a regulatory environment that encourages innovation, flexibility, and continued focus on attracting new members and improving financial service to existing members.

### **Values**

**Integrity** – Integrity is the underlying value in everything NCUA does as an agency and as individuals. Integrity means communicating openly and honestly, delivering what we promise, and doing the right thing, not merely doing things right. Integrity directly addresses the concepts of honor and duty, which are mindsets the American public has the right to expect from NCUA as a public agency.

**Forward-Looking** – NCUA continuously scans the horizon, plans how to address and acts upon emerging issues sufficiently in advance to provide timely, cost effective solutions where warranted.

**Responsiveness** – NCUA strives to provide policies and procedures that are effective, yet serve to facilitate credit union growth and development - preserving the overall integrity of the credit union industry.

**Teamwork** – Teamwork inspires, motivates, and guides NCUA toward its goals. Credit unions were created from a group identity –

commitment, team spirit, open mindedness  
and a willingness to work together for the  
benefit of all members. It is that same focus  
and identity that sustains us today.

**External Factors Assessment for 2003**

The following is a forecast of the social, technological, economic, and political/legislative environments under which credit unions will be functioning in the future. Information about current trends was gathered from various sources including stakeholder summit meetings, census data, and other market data sources. These trends were then projected into the future to assess the impact on the credit union industry. This forecast of anticipated conditions allows for better planning for potential risks arising from many sources of environmental change.

The economic cycle has a significant impact on the environmental scan because it fluctuates between periods of growth and recession. This volatility necessitates that NCUA take a flexible approach in its examination and supervision program. As such, NCUA will continuously review the environmental forecast and update its plans accordingly.

***Social Environment***

The credit union movement and its current and potential membership will undergo significant demographic change.

Projected U.S. Population (Thousands):<sup>1</sup>

	2000	2008	Change
White	196,670	200,936	2.1%
<i>Minorities:</i>			
Black	33,490	36,657	9.3%
Native American	2,048	2,248	9.8%
Asian	10,620	13,653	29.2%
Hispanic	32,479	41,516	27.7%
Sub-total	78,637	94,074	19.7%
Total	275,307	295,010	7.2%

As can be seen in the census table above, we as a nation and a society are changing. As an example, California recently became the first minority majority state,<sup>2</sup> and, with immigration being fueled by non-white, non-English speaking immigrants, other states may soon follow this demographic pattern.

Given society's increase in emphasis on computer literacy and credit union's emphasis on financial literacy, first-time credit union members may likely be:

- Culturally diverse,
- Better educated,
- Financially knowledgeable,
- Computer literate, and
- Likely to have English as a second language.

<sup>1</sup> U.S. Census Bureau Data

<sup>2</sup> By 2005 New Mexico will be a minority majority state with Arizona and Florida not far behind. Minority growth rates average 20-40% while whites average less than 10% (U.S. Census Bureau Data).

Another factor in the demographic shift is the aging of the World War II and Baby Boomer generations. This process is gradually moving toward a significant intergenerational transfer of wealth. This transfer is estimated to be as high as \$20 trillion dollars, opening up significant opportunities in the service of wealth management.<sup>3</sup>

Another impact of this generational shift may be increasing difficulty in attracting and retaining credit union volunteers.<sup>4</sup> Loyalty among younger members will be increasingly driven by a desire for rates and services. Consequently, they will be more likely to move their assets between institutions and less likely to affiliate with a single financial institution.

Additionally, the 90's boom has resulted in the widening of the income gap and the middle socio-economic group is getting smaller. Credit unions will need to be more sensitive to how they market their services to the changing composition of members and potential members. Ultimately, it will be their ability to serve the diverse mixture of credit union members that will determine if credit unions remain viable in this globally competitive, financial marketplace.

NCUA's mission will be impacted by the ability of credit unions to plan for and address the

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<sup>3</sup> Courter, Eileen "Shifting Wealth," <http://www.cues.org/education/0700wealthshift.htm> (Jan 2002)

<sup>4</sup> NAFCU Economic Assessment, 2002

needs and desires of their members. Operating and dividend expenses may increase as credit unions strive to recruit and retain younger and more culturally diverse members and build credit union infrastructure to serve them. Those credit unions attempting to grow and compete without adequate planning could potentially increase insurance risk, thus impacting NCUA's regulatory and supervision missions.

### ***Technological Environment***

Technology will continue to have a tremendous impact on the financial services industry. The Internet and an ever-broadening search for convenience by current and potential members will continue to weaken institutional loyalties and increase credit unions' vulnerability to marketplace innovation.

The safe integration of technology as a service delivery tool and the privacy and security of member data are risks that must be addressed by the evolving credit union community. Those credit unions that are slow to use technology will be at a disadvantage and will need to find other ways to control costs and compete in a very competitive market.

Credit unions will continue to enhance the efficiency of service delivery to the underserved, addressing the digital divide head-on. A more responsive regulatory environment with expedited field of membership additions and initiatives such as

*Access Across America* will certainly help in achieving this goal.

The effective use of technology could potentially provide a significant cost advantage. For example, typical financial transaction costs are estimated as:

- Teller - \$1.25
- Telephone - \$0.54
- ATM - \$0.24
- Internet - \$0.02<sup>5</sup>

The challenge of the 21<sup>st</sup> century will be to “balance entrepreneurial zeal with time-tested concepts of financial and managerial discipline.”<sup>6</sup> How credit unions meet this challenge will directly impact NCUA and its mission. Credit unions, in some instances, will increasingly rely upon third party vendors, credit union service organizations (CUSOs) and strategic partnerships to provide new technology-based service delivery methods. As a result, NCUA will have to be flexible and responsive in its regulatory and supervision mission.

***Economic Environment***

The economic outlook is a complicated mixture of varying forces. These forces will impact the psychology of the consumer, which is driven by and influences the strength and growth rate of

the economy. Along with consumer trends, we must keep in mind “event risk,” which could drive the economy in either direction. Such events could include the impact of changing energy and the price or availability of other resources. Accordingly, credit unions must continue to identify, measure, monitor and control their risk profiles.

Economic cycles will impact the accomplishment of NCUA’s strategic goals. This exposure reinforces NCUA’s need to build upon its recent shift to a more forward-looking organization. This transition also focuses NCUA on a risk evaluation approach in its regulatory and insurance efforts. The changing environment and economy require constant risk evaluation and strategic reassessment.

***Political/Legislative Environment***

The political/legislative environment for credit unions is rich with opportunity and hurdles. It is being driven by changes in the demographics of the American population and changes in the financial environment due to the impact of such factors as the Gramm-Leach-Bliley (GLB) Financial Modernization Act of 1999. Technology is also dramatically changing the way many old and new services are being delivered. Competition is coming from many new sources and members’ traditional loyalty is increasingly being tested by the search for the best value and services.

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<sup>5</sup> John A. Byrne, “*Management by WEB*,” Business Week Magazine, August 28, 2000.

<sup>6</sup> Timothy Koogle, CEO Yahoo! Inc., August 2000.

Credit unions need the flexibility and authority to effectively compete in this evolving financial services market and validate the need for NCUA to be flexible and responsive in its regulatory and supervision approach as it discerns and acts upon emerging issues. This flexibility should be within the bounds of safety

and soundness and not at the expense of credit unions' not-for-profit status. NCUA's transition to a risk-focused evaluation process will provide the agency a more forward-looking avenue to keep abreast of the industry's rapid change.

**Resources Utilization Summary, 1998 – 2003**

The following chart depicts how NCUA staff resources (FTE) and budget dollars have been applied to the five strategic goals since 1997: Goal 1, Financial Health; Goal 2, Technology; Goal 3, Regulatory Environment; Goal 4, Credit Union Growth and Development; and Goal 5, NCUA Internal Operations. All five strategic goals directly support and are necessary components in the accomplishment of NCUA's mission of safety and soundness.

<b>Year</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>Est. 2002</b>	<b>Est. 2003</b>
Goal 1 –						
FTE	650.90	665.84	697.36	692.85	636.50	634.71
Dollars	\$73,657,231	\$79,927,400	\$89,008,270	\$92,250,403	\$86,342,359	\$95,485,302
Goal 2 –						
FTE	32.57	30.52	35.32	30.98	33.38	31.86
Dollars	\$4,279,140	\$3,612,356	\$5,053,257	\$4,124,534	\$4,545,016	\$4,792,946
Goal 3 –						
FTE	28.61	31.61	34.04	33.69	61.26	70.65
Dollars	\$3,237,259	\$3,794,983	\$4,344,719	\$4,485,638	\$8,310,607	\$10,628,670
Goal 4 –						
FTE	102.46	116.25	118.16	122.47	144.85	126.20
Dollars	\$11,594,538	\$13,955,037	\$15,081,097	16,306,922	\$19,649,606	\$18,984,865
Goal 5 –						
FTE	69.08	108.96	110.25	110.17	86.98	107.60
Dollars	\$7,817,713	\$13,079,304	\$14,071,940	\$14,668,676	\$11,798,496	\$16,187,929
Total –						
FTE	883.62	953.18	995.13	990.15	962.98	971.02
Dollars	\$100,585,880	\$114,369,080	\$127,559,283	\$132,411,227	\$130,646,084	\$146,079,711
Total Variance						
From	(\$8,732,427)	(\$7,593,269)	(\$7,383,263)	(\$8,157,353)	(\$15,083,146) <sup>ε</sup>	TBD
Budget	-7.99 percent	-6.23 percent	-5.47 percent	-5.80 percent	-10.35 percent	

## Notes:

1. Dollar figures were rounded to the nearest dollar and may not total correctly.
2. The 2002 figures are annualized based on first quarter actual figures.
3. The 2003 estimates will be determined by budget decisions made by the NCUA Board, and will be available as soon as is practicable.
4. Budget variances – Operating fees are adjusted in the following year for any excess funds remaining and the charges made to the National Credit Union Share Insurance Fund are actual, not budgeted, expenses.
5. Year-to-date actual June 2002 numbers have been annualized. However, historically, agency spending is higher in the last half of the year. Thus, the variance at year-end 2002 is likely to be similar to 2001.

## Strategic Goals: Annual Performance Plan 2003

### **Strategic Goal #1**

***Promote a system of financially healthy, well-managed federally insured credit unions able to withstand economic volatility.***

Total net worth increased \$2.6 billion or 4.84% during the first half of 2002, compared to \$2.1 billion or 4.29% during the same period last year. The aggregate net worth to total assets ratio decreased from 10.84% at the end of 2001 to 10.58% as of June 30, 2002, as asset growth outpaced net worth growth. The average net worth ratio among individual credit unions decreased from 13.74% at the end of 2001 to 13.21% as of June 30, 2002.

The trends for the first half of the year exhibit the significant share growth noted throughout 2001. Loan growth remains modest in comparison resulting in increased levels of cash and investments. Liquidity increased as evidenced by the decline in the loan-to-share ratio from 73.77% at year-end to 70.88%.

Some of the increase in shares resulted from the "flight to quality" as credit union members shifted funds away from potentially more risky investments into insured credit union share accounts. An improvement in the economy and increased optimism could result in

significant share outflows if members shift their share deposits into equity securities.

### Economic and Environmental Factors:

The following is a summary of the key financial indicators of all federally insured credit unions that reported as of June 30, 2002<sup>7</sup>:

- **Assets** increased \$37.3 billion or 7.45%.
- **Net worth** increased \$2.6 billion or 4.84%, while the net worth to assets ratio decreased to 10.58%.
- **Loans** increased \$11.2 billion or 3.47%.
- **Shares** increased \$33.6 billion or 7.68%. The loan-to-share ratio decreased from 73.77% to 70.88%.
- **Cash management accounts**, (*cash on hand, cash on deposit, cash equivalents*), plus short-term investments (less than 1 year) increased \$9.0 billion or 9.35%.
- **Long-term investments (over 1 year)** increased \$15.1 billion or 22.65%.
- **Profitability** increased with a 1.04% return on average assets ratio.
- **Delinquent** loans as a percentage of total loans declined from the year end 2001 level of 0.82% to 0.72%, while **net charge-offs** increased from 0.46% to an annualized 0.49% of average loans.

<sup>7</sup> Unless otherwise indicated, all percent changes are year-to-date, and are not annualized.

Assets in corporate credit unions grew \$8.5 billion or an annualized 9.4 percent in the first six-months of 2002. Despite this growth, the capital ratio increased this year from 6.66 to 6.73 percent as of June 30, 2002.

In addition, the one-year treasury yield stabilized in the first six-months of 2002, falling only 4 basis points after a 330 basis point decline in 2001. The unemployment rate rose slightly in the first six-months of 2002 from 5.8 to 5.9 percent.

**Outcome Goal 1.1:**

*Create a regulatory environment that promotes effective risk management practices.*

In order to be effective, NCUA regulations must be current, relevant and reasonable. It is therefore necessary for NCUA to review and analyze the regulatory environment to ensure it serves the credit union community appropriately.

**Annual Performance Goal 1.1(a):** Review one third of NCUA regulations annually for needed changes.

**Performance Measure 1.1:** Complete the review of the regulations identified by the Office of General Counsel, Office of Examination and Insurance and the Regional Offices for review during 2003 by year-end.

In order to serve the credit union community appropriately, the examination process must be flexible and dynamic. Therefore, NCUA will continue with the move to a more risk-focused examination process, consistent with credit union safety and soundness.

**Annual Performance Goal 1.1(b):** Complete the program review phase of the transition to a risk-focused examination process.

**Performance Measure 1.1(b):** Complete the program evaluation by year-end.

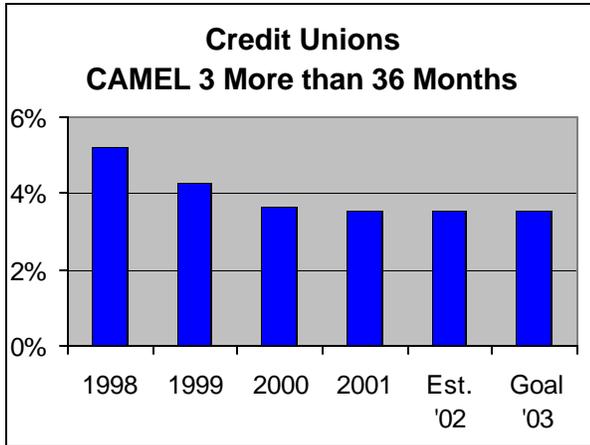
**Outcome Goal 1.2:**

*Resolve safety and soundness issues in a timely manner.*

In addition to an appropriate regulatory environment and risk-focused examination process, persistent managerial and operational problems must be identified and addressed. Appropriate action must be taken to resolve areas of concern in a timely manner.

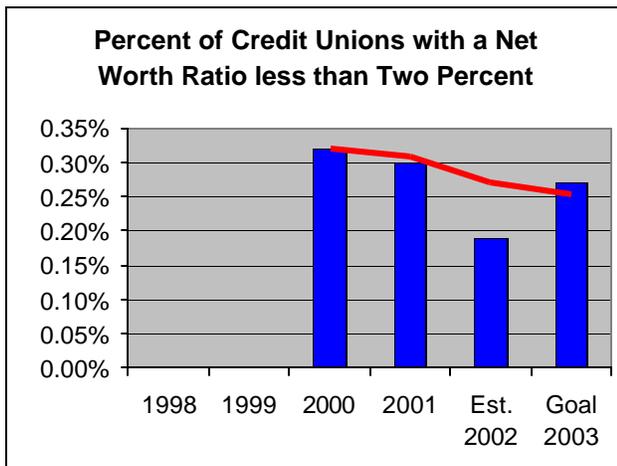
**Annual Performance Goal 1.2(a):** Effectively monitor and assess the percentage of federally insured credit unions with long-standing unresolved problems that threaten their safety and soundness.

**Performance Measure 1.2(a):** Reduce the percentage of credit unions that remain a CAMEL Code 3 for more than 36 months from the prior year-end's percentage.



**Annual Performance Goal 1.2(b):** Effectively monitor and assess the continued viability of federally insured credit unions with a net worth ratio of less than 2 percent.

**Performance Measure 1.2(b):** Maintain the percentage of federally insured credit unions with a net worth ratio of less than 2 percent to the total number of federally insured credit unions at less than the three-year moving average percentage.



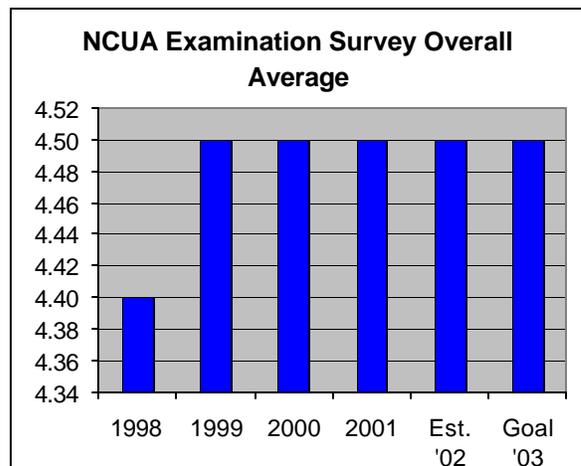
Note: Percentage includes new credit unions. Net Worth ratio was not used as a measure prior to 2000.

**Outcome Goal 1.3:**  
*Promote effective planning to meet current and potential future financial challenges.*

As NCUA's strategic planning process is enhanced, it is increasingly necessary for credit union stakeholders to benefit from the process. In this respect, communication between the credit union industry and the NCUA becomes increasingly critical. Good communication is essential to the planning and monitoring process.

**Annual Performance Goal 1.3:** Ensure NCUA's communication processes, including examinations, serve as effective means to provide credit unions with critical and other valuable information.

**Performance Measure 1.3:** Maintain a 4.4 average rating on question number 7 of the revised NCUA Examination Survey. Question 7 rates the overall effectiveness of the examination process on a scale of 1-5.



**Outcome Goal 1.4:**

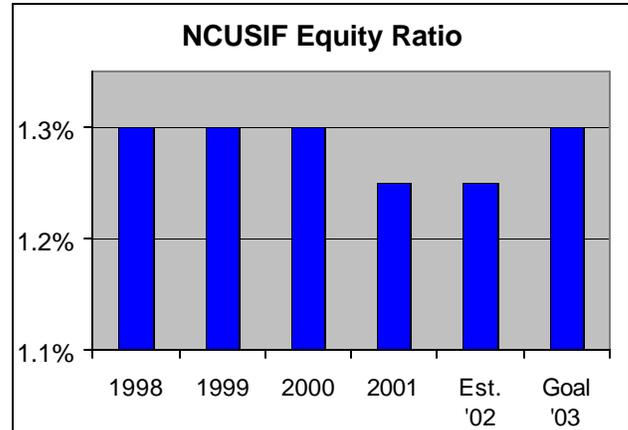
*Promote healthy financial performance through effective and diligent management of the National Credit Union Share Insurance Fund.*

Credit unions are part of a cooperative financial service industry. The National Credit Union Share Insurance Fund (NCUSIF), which is backed by the full faith and credit of the U.S. Government, insures approximately 97 percent of credit unions. As the caretaker of the NCUSIF, NCUA has an obligation to manage it appropriately.

Credit unions cooperatively fund the NCUSIF by maintaining a minimum of 1 percent of their insured shares in the fund. Losses to the fund resulting from poor business practices, fraud or other factors directly affect the fund's ability to pay dividends and could result in the need for the assessment of insurance premiums. NCUA's examination and supervision program mitigates potential losses to the NCUSIF.

**Annual Performance Goal 1.4:** Manage the National Credit Union Share Insurance Fund in an effective and prudent manner to support credit union deposit insurance needs.

**Performance Measure 1.4:** Maintain the National Credit Union Share Insurance Fund's equity position at 1.3 percent without being required to charge federally insured credit unions an insurance premium.



**Strategic Goal #2**

***Facilitate credit unions' ability to safely integrate financial services and emerging technology in order to meet the changing expectations of their members.***

Credit unions are increasingly aware of the competitive edge the use of technology can provide to themselves or their competitors. Technology-savvy credit union members expect the convenience offered by home-banking, electronic bill payment, ATM services, audio response systems, and other technologies.

**Outcome Goal 2.1:**

*Ensure that NCUA staff develops and maintains the necessary level of expertise to effectively identify, measure, monitor, report, and control the risks that existing and emerging financial service technologies pose to credit unions and the National Credit Union Share Insurance Fund.*

NCUA staff must have the appropriate expertise to remain abreast of technological advances and trends while understanding, evaluating, and helping to mitigate the attendant risks.

**Annual Performance Goal 2.1:** Enhance the training program for NCUA and State Supervisory Authority Information Systems and Technology Subject Matter Examiners.

**Performance Measure 2.1:** Provide appropriate training opportunities to all NCUA and State Supervisory Authority Information Systems and Technology Subject Matter Examiners by year-end.

**Outcome Goal 2.2:**

*Provide a regulatory environment encouraging credit unions to safely integrate and operate existing and emerging financial service technology and effectively manage the related risks.*

Federally insured credit unions must develop, maintain or obtain (via third party relationships) related expertise if they elect to adopt technological means of service delivery.

**Annual Performance Goal 2.2:** Enhance the credit union community's use and understanding of technology plans, due diligence expectations and best practices.

**Performance Measure 2.2:** Provide pertinent guidance on effective technology management practices to credit unions and staff.

**Strategic Goal #3**

***Create a regulatory environment that will facilitate credit union innovation to meet member financial service expectations.***

Credit unions are continually confronted with the task of improving their operational efficiency and service operations. Through communication with credit unions, NCUA will encourage strategic thinking about the current and future needs of credit union members. Through evaluation and renovation of the regulatory environment, NCUA will reduce the current regulatory impediments to innovation within the boundaries of safety and soundness.

**Outcome Goal 3.1:**

*Ensure NCUA regulations are current, clearly written, flexible, necessary and relevant for an effective regulatory environment.*

Outcome Goal 1.1 and Outcome Goal 3.1 are explicitly linked. Current, relevant, and reasonable regulations are necessary for an effective regulatory environment. In the competitive financial services market, where consumers increasingly exercise choices driven by perceived value, credit unions need flexibility to grow and flourish. Therefore, NCUA must provide a flexible regulatory

environment that will allow credit unions to take reasonable risks to grow while also preserving safety and soundness.

**Annual Performance Goal 3.1:** Review one third of NCUA regulations annually for needed changes.

**Performance Measure 3.1:** Complete the review of the regulations identified by the Office of General Counsel, the Office of Examination and Insurance and the Regional Offices for review during 2003 by year-end, and update them as appropriate.

**Outcome Goal 3.2:**

*Support credit union efforts to provide innovative and competitive financial services in a changing economic environment.*

NCUA will continue to focus on emerging credit union issues, services, and practices. The first step toward that end was the implementation of the forward-looking, risk-focused examination program and risk-based examination scheduling. NCUA will continue to review and analyze examination and supervision procedures to ensure they are relevant and viable.

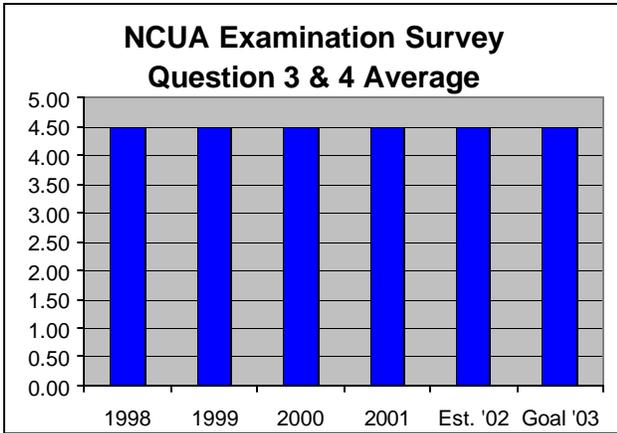
**Annual Performance Goal 3.2(a):** Develop and implement a means to ensure the regulatory philosophy set forth by the NCUA Board is effectively communicated throughout all levels of the organization.

**Performance Measure 3.2(a):** Under development. A means of measuring that the changing priorities of the NCUA Board are appropriately reflected in the examination and supervision processes, examiner training, and in examiner relationships with credit unions will be determined.

In order to measure credit union satisfaction with the examination process, NCUA continues to distribute the NCUA Examination Survey.

**Annual Performance Goal 3.2(b):** Review examination and supervision procedures to ensure they are efficient, effective, flexible and facilitative in a competitive environment yet maintain safety and soundness.

**Performance Measure 3.2(b):** Maintain at least an overall rating of 4.5 for responses to questions 1 and 3 of the revised NCUA Examination Survey. These questions are most consistent with questions 3 and 4 on the old NCUA Examination Survey. Question 1 of the revised survey addresses the examiner's ability to effectively communicate with credit union management and officials throughout the examination and supervision processes. Question 3 addresses the examiner's ability to focus on the relevant identified risks.



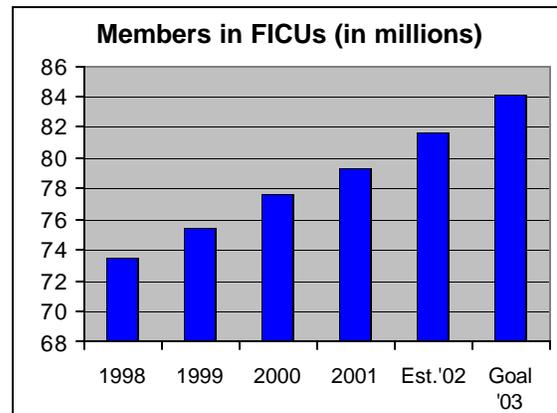
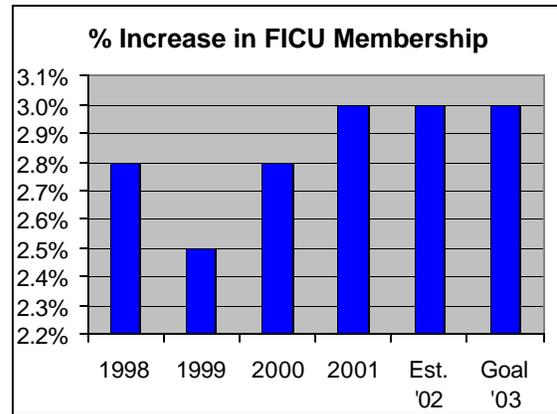
**Outcome Goal 3.3:**

*Encourage credit unions to meet the economically and sociologically changing financial needs of credit union members.*

Credit union members' loyalties are dependent upon whether or not their credit union meets their expectations and service desires. Credit unions face increasing competition, coming from not only traditional banks, but also Internet banks and other non-traditional financial service providers such as brokerage houses and insurance companies. In addition, credit unions face increasingly stiff competition from other credit unions, due to multiple credit union membership eligibility.

**Annual Performance Goal 3.3:** Create a regulatory environment that allows credit unions to enhance financial services by reducing regulatory barriers and sharing information and legislative efforts with credit unions, leagues and associations.

**Performance Measure 3.3:** Increase the number of credit union members by a minimum of 3 percent from the prior year-end.

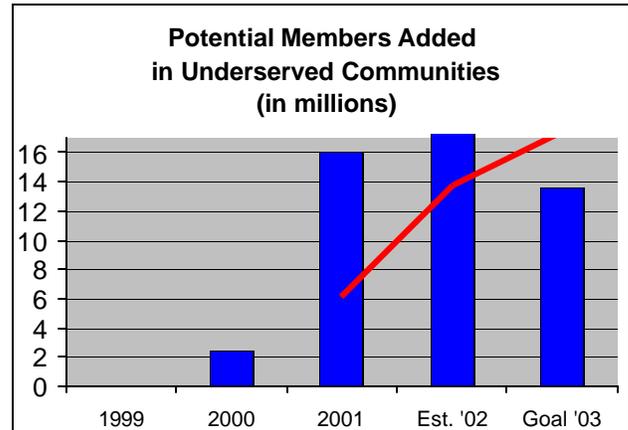


**Strategic Goal #4**

*Enable credit unions to leverage their unique place in the American financial system to extend availability of service to all who seek such service, while encouraging and recognizing their historical emphasis on servicing those of modest means.*

NCUA is engaging in conversations with credit union officials to facilitate its ability to enable

credit unions to grow and improve their continued viability and extend their services to individuals and communities in need of those services. Through the *Access Across America* program, NCUA is providing additional support and assistance connections to facilitate this expansion of services. NCUA will continue to modernize field of membership and chartering rules for federal credit unions within the provisions of the applicable laws.



**Outcome Goal 4.1:**

*Facilitate credit union efforts to increase credit union membership and accessibility, continue to serve the underserved, and enhance financial services.*

NCUA will continue to provide information to facilitate field of membership expansion, including underserved areas, during the examination process and workshops. NCUA will also continue to highlight the need to bring credit union service to underserved communities through the *Access Across America* initiative.

**Annual Performance Goal 4.1(a):** Expand financial service availability to people from all walks of life through the *Access Across America* initiative.

**Performance Measure 4.1(a):** Increase the number of potential underserved members by an amount equal to or above the three-year moving average for the past three years.

**Annual Performance Goal 4.1(b):** Implement a process to identify emerging trends in demographics and financial service offerings and share information with examiners, State Supervisory Authorities and federal credit unions.

**Performance Measure 4.1(b):** Complete implementation of measurement tools by year-end.

**Annual Performance Goal 4.1(c):** Implement a review process of the successes and difficulties encountered by new charters and identify common themes or reasons for success and failure.

**Performance Measure 4.1(c):** Complete the implement of a review process to analyze the success or failure of a credit union meeting the definition of “new” in conjunction with the Office of Examination and Insurance’s Risk Management Postmortem Review process by year-end.

**Strategic Goal #5**

***Enhance NCUA's organization to continue to work with the credit union community in creating an environment that enables credit unions to continue to flourish while addressing the challenges of the 21<sup>st</sup> century.***

Internally, NCUA concentrated on three primary objectives in 2001:

- Improve organizational effectiveness;
- Evaluate and renovate examination and supervision processes to address the risk-focused program; and
- Initiate the processes to prepare staff through enhanced training and human resource management.

In 2003, NCUA will focus internally on its most critical and valuable resource, its staff. In purely economic terms, human capital is the agency's most expensive resource – averaging between 82 and 85 percent of NCUA's total budget for salaries, benefits, and training.

Recognizing the value and importance of its human capital resource, NCUA, along with the entire federal government, will be implementing an assessment tool called the Human Capital Scorecard in 2002. Measures and results from this tool are expected to be available in 2003. An analysis of this data will be available for use in 2004. The survey

component of the Human Capital Scorecard will be administered government-wide by the U.S. Office of Personnel Management in cooperation with each federal agency.

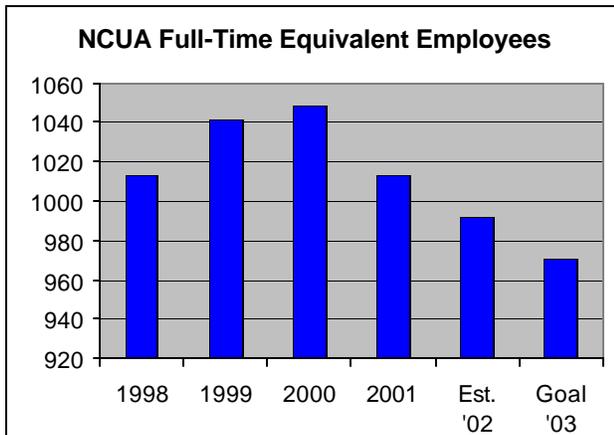
The Human Capital Scorecard provides a way for agencies to achieve goals through improved management and deployment of human resources. It identifies five key dimensions of human capital management: 1) Strategic Alignment, 2) Strategic Competencies, 3) Leadership, 4) Performance Culture, and 5) Learning.

It also provides goals and measures related to each dimension. An employee survey, designed to assess and report progress on overall human capital management, allows comparisons and benchmarking with high-performing government and private sector organizations. The scoreboard, developed in collaboration with federal human resources directors, draws heavily upon private sector practices.

*Complete details concerning the agency's Human Capital Management Plan can be found in Appendix A.*

NCUA will continue to work to achieve the optimum balance of staff efficiency and risk abatement. The agency's efficiency goal is to continue with a minimum 4 percent reduction in full-time equivalent employees over 2002 and 2003. As a result of the impact of the

implementation of the Accountability in Management Regional Study recommendations and human capital planning efforts, the number of full time equivalent employees should be at 971.02 by the end of 2003.



**Outcome Goal 5.1:**

*Ensure NCUA has the ability to identify management and human capital issues and trends and implements timely solutions before the issues become critical.*

**Annual Performance Goal 5.1(a):** Ensure human capital data is used to make optimal human resource decisions that are aligned with the agency’s mission, values, and goals.

Data from the Human Capital Scorecard Survey will be gathered during 2002, analyzed during 2003, and an appropriate goal will be set for 2004. However, as an initial measure, NCUA expects at least a mid-range satisfaction rating on all measures of the first key dimension of the scorecard, “Strategic Alignment.” This dimension measures how

well human capital policies are aligned to support the accomplishment of the agency’s mission, vision, goals, and strategies.

**Performance Measure 5.1(a):** Although a baseline has yet to be established, we anticipate NCUA managers will indicate human capital data is used to make optimal human resource decisions by giving at least a mid-range satisfaction rating all questions on the “Strategic Alignment” dimension of NCUA’s Human Capital Scorecard Survey. An appropriate goal for 2004 will be set after administering the survey and evaluating the results.

**Annual Performance Goal 5.1(b):** Ensure NCUA workforce is appropriately trained and transitioned in a timely manner to meet requisite competencies and skills to fully support the risk-focused examination and supervision programs.

Data from the Human Capital Scorecard Survey will be gathered for this goal and a baseline established for 2004 during 2003. As an interim measure, NCUA expects at least a mid-range rating on all measures of the second dimension of the Human Capital Scorecard Survey, “Strategic Competencies.”

**Performance Measure 5.1(b):** See the measure for 5.1(a).

**Outcome Goal 5.2:**

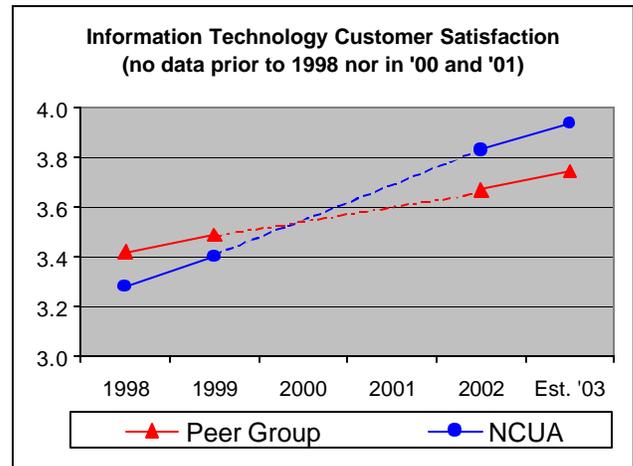
*Ensure NCUA provides an integrated, reliable and secure Information Technology architecture that is fully supportive of NCUA strategic goals.*

In 1998, NCUA's Chief Information Officer contracted for an information technology customer satisfaction survey designed to measure NCUA employee satisfaction with the agency's information technology capabilities. The intent was to conduct a yearly survey in order to improve service and operations. Due to budget constraints, the survey was not conducted during 2000 and 2001, but was resumed in 2002.

The underlying philosophy is that NCUA employees' expectations of their computing capabilities at work are influenced by what they observe as consumers. If the capabilities available at work are less than those available at home, or what they would reasonably expect at work based on normal consumer preferences, then this goal is not being met. Conversely, if they rate their work capabilities at or above an appropriate industry peer group, then the agency is fulfilling this goal.

**Annual Performance Goal 5.2(a):** Leverage existing and emerging technologies to enhance NCUA's program and operational support-related capabilities.

**Performance Measure 5.2(a):** Maintain the quality of NCUA's information technology at or above peer group average. Continue to use an independent customer service survey to determine the rating.



The security and reliability of the agency's information technology resources are as important as their availability and utility. Information technology systems' security and reliability issues are recognized government-wide. The recent implementation of the Government Information Security Reform Act requires federal agencies to assess the security of their non-classified information systems. More importantly, from an enforcement perspective, the law requires every agency to provide a risk assessment and a report of the security needs of its systems. These reports must be included in every agency budget request.

All agency programs will include procedures for detecting, reporting, and responding to

security incidents, including notifying and consulting with law enforcement officials, other offices and authorities, and the General Services Administration's Federal Computer Incident Response Capability.

The Government Information Security Reform Act enforces accountability and requires each agency to examine the adequacy and effectiveness of information security policies, procedures, and practices in plans and reports. It directs agencies to report findings of significant deficiencies.

NCUA's initial Government Information Security Reform Act report to the Office of Management and Budget in September 2001 described the methodologies used in the required program reviews and independent evaluations. NCUA employed two outside contractors during 2001 for these reviews and evaluations.

Deloitte and Touche, under contract to NCUA's Office of the Inspector General, performed an audit of the agency's financial system and internal controls in 2001. The audit was conducted in accordance with generally accepted auditing standards and government auditing standards issued by the Comptroller General of the United States. Internal structures were specifically evaluated for compliance with laws and regulations. The financial systems audit found no material weaknesses.

With technical assistance from KPMG, LLP, the Office of the Inspector General performed the SAP Security and Control Audit. SAP is an enterprise resource planning software package used by NCUA to run its financial systems.

The methodology used for this audit included personnel interviews, observation of operations, and performance tests with a focus on security, data integrity, information technology infrastructure, and business processes. The SAP audit listed 42 recommendations dealing with separation of duties, access authority, and documentation. All recommendations were implemented.

**Annual Performance Goal 5.2(b):** Maintain minimal deficiencies during mandated security reviews.

**Performance Measure 5.2(b):** After implementing the recommendations of the 2001 Financial Statements Audit and the SAP Security and Control Audit, a baseline of zero deficiencies was established. Future annual Government Information Security Reform Act-mandated security reviews will continue to show minimal, if any, material deficiencies in NCUA information security. In addition, material deficiencies will be corrected as soon as practical and prudent given the nature of the deficiency and the degree of risk.

**Annual Performance Goal 5.2(c):** Complete the computers upgrade leasing initiative and distribute them throughout the agency.

**Performance Measure 5.2(c):** Complete no later than April 1, 2003.

**Annual Performance Goal 5.2(d):** Implement and complete the migration to voice over Internet protocol technology in the Central Office and all Regions.

**Performance Measure 5.2(d):** Complete no later than December 31, 2003.

**Outcome Goal 5.3:**

*Ensure NCUA's organizational structure is responsive to the changing credit union community environment and maintains safety and soundness while supporting credit union growth and development.*

In 2000, NCUA established the Accountability in Management (AIM) committee and project. The goal of the AIM project was to take a critical, objective look at the organization and operations of the agency with an objective of increasing or enhancing efficiencies.

This effort was driven primarily by the continuing evolution of the credit union community and NCUA's desire to become a more responsive and forward-looking agency. Additionally, the agency increased resources in

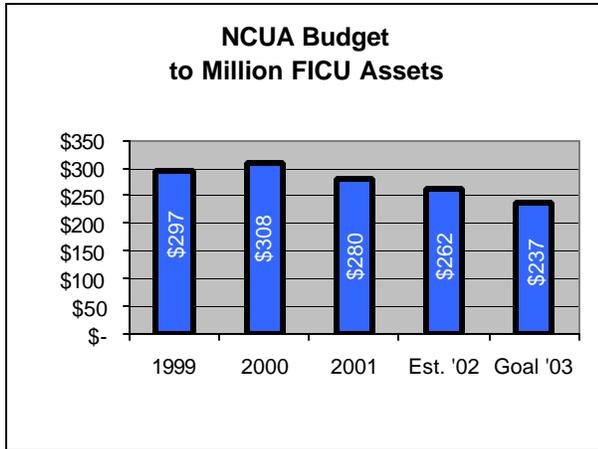
certain areas in the late 1990's in order to deal with Y2K, and needed to appropriately re-deploy these resources.

The AIM committee was charged with looking at the agency's organization structure and processes in two distinct areas: the Central Office and the six NCUA Regional Offices. The Central Office AIM study culminated in the elimination of ten full time equivalent slots, including two deputy positions and the consolidation of the strategic planning function with the Office of Investment Services, forming the Office of Strategic Program Support and Planning.

In addition, the functions of the Office of Administration were dispersed among the Office of the Chief Financial Officer, the Office of the Chief Information Officer, and the Office of Public and Congressional Affairs. The Office of Training and Development was integrated into the Office of Human Resources.

**Annual Performance Goal 5.3(a):** Continue the Accountability in Management process to assess the current environment, organizational structure, and procedures to facilitate enhanced NCUA effectiveness and efficiency.

**Performance Measure 5.3(a):** Reduce the total of the NCUA budget dollar to each million in FICU assets by approximately 10 percent from \$262 to \$237.



Note: 2003 projected using 10% asset growth.

**Annual Performance Goal 5.3(b):** Maintain examination and supervision productive time at an optimum level.

**Performance Measure 5.3(b):** Maintain examination and supervision productive time as a percentage of total examiner time at greater than or equal to 50 percent.

**Annual Performance Goal 5.3(c):** Develop and implement procedures designed to close Region IV.

**Annual Performance Measure 5.3(c):** Closure to be completed no later than May 2005.

**Annual Performance Goal 5.3(d):** Develop and implement procedures designed to move Region VI to a low-cost locality.

**Performance Measure 5.3(d):** Relocation to be completed no later than May 2005.

NCUA will begin reserving cash for the above actions described in Measures 5.3 (c) and (d) above during 2003. The actions are estimated to save \$27 million dollars over a ten-year period. No personnel layoffs are planned. Current attrition rates and sound human capital planning efforts should allow the agency restructuring to take place without taking formal personnel reduction actions.

**Annual Performance Goal 5.3(e):** Design and implement an agency pay study.

**Performance Measure 5.3(e):** Pay study to be completed by December 31, 2003.

**Appendix A: NCUA Human Capital Management Plan (Work Force Plan)**

<b><u>Human Capital Program Activity</u></b>	
<b>Support of Safety and Soundness Mission:</b>	
➤ Agency Program Alignment	➤ Performance Culture
➤ Recruitment and Retention	➤ Continuous Learning
➤ Leadership	➤ Equal Opportunity

Note: NCUA's 5-Year Work Force Plan is designed to meet the human capital goals and standards set in the Office of Personnel Management's *Human Capital Scorecard* and the Office of Management and Budget's *Human Capital Standards for Success*, for the President's Management Agenda (PMA).

<b>Strategic Goal #1</b>
Align human capital policies with strategic goals.
<b>Outcome Goal</b>
<b>1.1: Align NCUA's human capital policies to support accomplishment of its mission, vision, goals and strategies.</b>

Means and Strategies:

1. Ensure human capital goals and strategies in the agency's strategic plan and the human resources annual performance plan support mission needs and the PMA.
2. Reinforce linkage between competencies for mission critical occupations and achievement of NCUA strategic goals through such activities as employee training on risk focused supervision process; changes in position descriptions and performance standards to reflect a new risk-focused credit union supervision role; and regular reports to all employees on progress in meeting goals.
3. Assess structure of agency and implement changes to better meet mission goals.
4. Promote progress toward this goal by administering a Human Capital Survey to all employees on a biennial basis.
5. Identify issues and progress toward this goal through Human Resources Internal Review program.
6. Encourage broad employee involvement in updates to NCUA Strategic Plan.

<b>Annual Performance Goal 1.1</b>	<i>Note: Only changes to the base year 2003 are annotated in 2003-2008</i>
➤ 2003	1.1a: Ensure there are explicit and well communicated links between HR strategies and plans and the agency's strategic objectives. 1.1b: Ensure the agency is well structured to support its mission. 1.1c: Ensure employees understand their department's plans and are involved in the strategic planning and reporting process.
➤ 2004	No change from base year
➤ 2005	No change from base year
➤ 2006	No change from base year
➤ 2007	No change from base year
➤ 2008	No change from base year

<p><b>Strategic Goal #2</b> Recruit, develop, and retain employees with strategic competencies.</p>
<p><b>Outcome Goal</b></p>
<p><b>2.1: Ensure NCUA recruits, develops, and retains employees with the strategic competencies required for mission critical occupations.</b></p>

Means and Strategies:

1. Identify current and potential competency gaps and succession planning needs by conducting workforce planning studies of primary mission-critical occupations and implement recruitment, staffing, training, retention, or other actions (as needed) to better meet requirements.
2. Give management direct automated access to competency information to assist in addressing individual employee and organizational competency needs.
3. Ensure employees acquire mission critical competencies by modifying training and development programs and guidance materials as required (e.g., Entry Level Examiner training courses, manuals, and on-the-job development program; technical training for subject matter examiners; competency-based training and development catalog).
4. Provide efficient, effective staffing services to meet NCUA's resource management needs (e.g., fill times for examiner recruitment).
5. Maintain turnover rate for Credit Union Examiners at 9 percent or less.
6. Maintain 95 percent fill-rate for Credit Union Examiners throughout the year. Note: Turnover-rate and fill-rate are independent of the target full time equivalent. For example, should a lower full time equivalent level be established, the 95 percent is based on the lower full time equivalent.
7. Identify issues and progress toward goals through the Human Resources Internal Review program.

Promote progress toward this goal by administering Human Capital Survey to all employees on a biennial basis.

<i>Annual Performance Goal</i>	
<b>2.1</b>	
➤ 2003	2.1a: Ensure the desired competency levels in mission critical occupations are achieved. 2.1b: Ensure the desired recruitment/retention rate for employees with strategic competencies is achieved. 2.1c: Ensure the desired quality level of new hires is achieved.
➤ 2004	No change from base year
➤ 2005	No change from base year
➤ 2006	No change from base year
➤ 2007	No change from base year
➤ 2008	No change from base year

<b>Strategic Goal #3</b>
Inspire and guide achievement of strategic goals in a high quality work environment.
<b>Outcome Goal</b>
<b>3.1: Ensure agency leadership inspires, motivates, and guides others toward goals; coaches, mentors, and challenges staff; adapts leadership styles to various situations; models high standards of honesty, integrity, trust, openness, and respect for all by applying these values.</b>

Means and Strategies:

1. Provide opportunities, on a competitive basis, for supervisory and non-supervisory staff to identify and overcome gaps in first line supervisory and executive level competencies through participation in NCUA Management and Executive Development Programs and government-wide leadership programs.
2. Promote compliance with merit principles and ethical standards through training of supervisory, management, and executive staff.
3. Identify and address current and potential competency gaps and succession planning needs by conducting workforce planning studies of mission-critical supervisory occupations and implement recruitment, staffing, training, retention, or other actions, as needed.
4. Promote progress toward this goal by administering a Human Capital Survey to all employees on a biennial basis and identifying and addressing goal related issues.
5. Promote and support employee participation on committees at agency and regional/office levels to address strategic, operational, and quality of life issues.

<i>Annual Performance Goal</i>	
<b>3.1</b>	
➤ 2003	3.1a: Ensure agency recruits, develops, and retains high performing leaders. <b>3.1b: Ensure agency leaders create high levels of motivation and commitment in the workforce.</b> 3.1c: Ensure leaders maintain high standards of honesty and integrity that serve as a model to the whole workforce.
➤ 2004	No change for the base year
➤ 2005	No change for the base year
➤ 2006	No change for the base year
➤ 2007	No change for the base year
➤ 2008	No change for the base year

<b>Strategic Goal #4</b>
Develop and maintain a high performance organizational culture.
<b>Outcome Goal</b>
<b>4.1: Create a high performance culture that values and rewards employees' contributions to the work of the organization and promotes shared values while ensuring fairness in the workplace.</b>

Means and Strategies:

1. Ensure employee pay is tied to work performance through use of NCUA-wide merit pay system.
2. Foster a high performance culture by use of the full range of awards programs.
3. Use a contributions-based personnel system for NCUA executives to determine pay for promotions or reassignments to executive level.
4. Address employee performance problems through use of performance improvement plans, employee removals, and other performance actions.
5. Identify issues and progress toward this goal through a Human Resources Internal Review program.
6. Promote progress toward this goal by administering a Human Capital Survey to all employees on a biennial basis and identifying and addressing goal related issues.
7. Foster a climate that values diversity through diversity education programs in connection with government-wide diversity recognition programs.
8. Promote employment diversity within NCUA through diversity recruitment efforts.

<i>Annual Performance Goal</i>	
<b>4.1</b>	
➤ 2003	4.1a: Ensure agency develops, rewards, and retains high performers while dealing effectively and efficiently with poor performers. 4.1b: Ensure employees are engaged and focused on achieving the high standards and optimum results expected of them. 4.1c: Ensure the agency fosters a climate that values diversity.
➤ 2004	No change from base year.
➤ 2005	No change from base year.
➤ 2006	No change from base year.
➤ 2007	No change from base year.
➤ 2008	No change from base year.

<b>Strategic Goal #5</b>
Create and promote an agency culture of continuous learning (knowledge management).
<b>Outcome Goal</b>
<i>5.1: Ensure agency promotes a knowledge-sharing culture in a climate of fairness, openness, and continuous learning and improvement.</i>

**Means and Strategies:**

1. Link employee training and development goals and programs to mission related goals in NCUA strategic plan (e.g., transition to risk-focused credit union supervision).
2. Address current and potential competency gaps and succession planning needs by conducting workforce planning studies of mission-critical supervisory occupations and implement recruitment, staffing, training, retention, or other actions, as needed.
3. Enhance ongoing management of competencies across mission critical occupations by exploring computer-based skills competency management tools.
4. Improve access to learning opportunities through an NCUA training and development catalog based on competencies.
5. Promote continuous learning and improvement through Individual Development Plans for every employee on an annual basis.
6. Improve access by every employee to the latest information, best practices, and upcoming program changes via NCUA's e-mail and intranet systems.
7. Facilitate more cost-efficient training, meetings, and information sharing by a widely dispersed nationwide workforce through an agency videoconferencing system.
8. Promote skills development and maintenance of state-of-the-art knowledge of credit union and financial issues with in depth technical training programs.
9. Encourage participation in the Federal Financial Institutions Examination Council technical training courses offered to NCUA employees.
10. Enable each Credit Union Examiner to maintain up-to-date knowledge by providing an annual stipend for the purchase of work-related publications.
11. Invest in internal Management/Executive Development Programs, which enable employees, selected on a competitive basis, to participate in formal courses, developmental assignments, and a group project providing experiential learning.
12. Test computer-based electronic learning to identify the costs/benefits of this methodology for a workforce that is geographically dispersed.
13. Maintain comparability with credit union and banking industry\* on percent of budget spent for employee training and development relative to salary and benefits expenditures. (E.g., in 2001, NCUA spent 2.85 percent as compared to an average of 2.8 percent spent by the credit union and banking industry.\*)
14. Assess goal achievement through a Human Capital Survey administered to all employees in 2002, and subsequently on a biennial basis.
15. Encourage learning and growth through training and development opportunities offered to employees each year.

\* Industry data published by American Society of Training & Development (ASTD)

<i>Annual Performance Goal</i> <b>5.1</b>	
➤ 2003	5.1a: Ensure knowledge management systems and/or strategies are in place for use within the agency. 5.1b: Ensure agency invests strategically in training and development opportunities for all employees. 5.1c: Ensure a climate of learning and growth exists throughout the agency.
➤ 2004	No change from base year.
➤ 2005	No change from base year.
➤ 2006	No change from base year.
➤ 2007	No change from base year.
➤ 2008	No change from base year.

**Appendix B: Information Technology Resource Management (Enterprise Architecture)**

NCUA’s Information Technology Management Plan focuses on the means by which information technology will be used to support and enhance mission accomplishment. It also addresses the requirements of The President’s Management Agenda and directives of the Office of Management and Budget. The concepts, ideas, and elements expressed within are intended for NCUA internal use only and do not address credit union use of information technology.

**Introduction:**

The Clinger-Cohen Act requires all Federal agencies to define the current and future information technology environment or “Enterprise Architecture.” The difference between the current and the future (target) environment determines what must be accomplished and is used as a basis to develop the agency’s information technology strategic and annual performance goals.

Information Technology Vision Statement

To be a leader in government and serve as a model to the credit union industry in the delivery of timely, accurate and complete information technology resources, products and services.

Information Technology Mission Statement

Provide agency staff and external customers with quality information technology products and services that foster efficient operations and support the mission of NCUA.

Current Environment

***Work Processes and Information Sets:***

<b>Work Process</b>	<b>Support Data</b>
Natural Person and Corporate Credit Union Examination Programs, Asset Management and Assistance Program, Central Liquidity Facility Program, and Community Development Revolving Loan Fund Program	Financial and management data, personnel resource execution data, and regional and national trend information
Financial Management Program	Accounting, budgeting, travel, expense, and other financial data
Human Capital Management Program	Personnel management and life cycle information (i.e., recruiting, classification, staffing, compensation, benefits, training, etc.)

***Applications and Systems Supported:***

*Custom Applications.* Microsoft Visual Basic development software is used to create custom applications that support a number of agency functions. The core custom applications maintain chartering, examination and financial data stored in the central office database. The applications are multi-tiered and serve both office and field functions. The first tier is the presentation application, which is what the user sees. The lowest tier is the central database, which is built on Microsoft Sequel Server 2000. Additionally, some custom applications host the first tier on the Intranet or the Extranet and are developed using Active Server Pages.

*Automated Integrated Regulatory Examination System (AIRES).* AIRES is a combination of a Visual Basic database, Microsoft Excel worksheets, and Microsoft Word documents. The parts work together to form a total examination system.

*Comprehensive Human Resources Integrated System (CHRIS).* CHRIS is maintained for NCUA by the General Services Administration and supports all aspects of the personnel life cycle to include recruiting, classification, staffing, compensation, benefits, training, equal employment opportunity reporting, and personnel processing and management.

*Financial and Statistical System (F&S).* The F&S System contains the financial data for the

credit unions. The data from the Form 5300 and Form 5310 Call Reports are maintained in this system.

*Management Information System (MIS).* The MIS contains information regarding the credit union's location and select event history and financial data. An event can be a merger, liquidation, operations resumption, purchase and assumption, conversion, and/or cancellation.

*OSCAR.* OSCAR maintains historical credit union examination data for viewing and use by examiners. The data is collected from other systems supported by the NCUA.

*Private Branch Exchange.* The Private Branch Exchange is the agency's telephone and voice messaging system. It consists of Meridian 61 and Meridian 11 Telephone Exchanges and the OCTEL Voice Messaging System.

*Risk Management System (RMS).* The RMS contains problem credit union data.

*Time Management System (TMS).* The TMS contains examiner's weekly examination hours, details of time charged, and itinerary.

*Videoconferencing System.* The Videoconferencing System connects the six regional offices and the Central Office using an Internet Protocol based videoconferencing system.

*Software.* All client computers are configured with Microsoft Windows 2000, Microsoft Office 2000, Microsoft Outlook, and Microsoft Internet Explorer.

Agency servers are configured with either Microsoft Windows NT Server or Microsoft Windows 2000 Server operating systems and provide a variety of services including e-mail (Microsoft Exchange 2000), central database (Microsoft Sequel Server 2000), SAP server, and file storage (SANS).

SAP R/3 is an Enterprise Resource Planning software package and is used to manage the agency's core financial processes. The SAP R/3 Financial Accounting, Controlling, Material Management, and the Human Resources modules have been implemented to support NCUA headquarters, six regional offices, and the Asset Management & Assistance Center. This system also supplies financial processing services for the National Credit Union Share Insurance Fund, the NCUA Operating Fund, the Central Liquidity Facility, and the Community Development Revolving Loan Fund.

*Web-based Environments.* The Office of the Chief Information Officer maintains three different web-based environments, which are accessed using a standard Internet browser. Each environment serves a different customer base and is built accordingly.

- *Internet.* The NCUA web site ([www.ncua.gov](http://www.ncua.gov)) is built on I-Planet Enterprise Server software and is accessible by anyone having Internet access. The Office of the Chief Information Officer maintains the site with content supplied by NCUA offices. Custom data query software is also maintained on the site using Cold Fusion.
- *Intranet.* The NCUA intranet is built on Microsoft Internet Information Server and is accessible only by NCUA employees and state regulator employees. The Office of the Chief Information Officer maintains the structure of the site, as well as the custom applications that are hosted on the Intranet. Various NCUA offices own portions of the Intranet and are responsible for appearance and content.
- *Extranet.* The NCUA extranet is built on Microsoft Internet Information Server and serves credit unions interested in using the automated field of membership expansion application. The Office of the Chief Information Officer maintains the extranet site and the custom application it serves. This is a secure site using Microsoft Certificates. Only those credit unions

that have been granted a certificate can access this site.

**Technology Architecture:**

*Hardware.* NCUA uses a single end-user computing platform for all users: the Compaq Armada M700 notebook computer. NCUA servers are all Compaq Proliants; however, we periodically upgrade or replace the servers on the network. The current configuration is listed in the NCUA Wide Area Network diagram. Network storage is an EMC Corporation Clariion (their spelling) storage area network system.

*Communications.* NCUA has six Local Area Networks all connected through the agency Wide Area Network. This configuration is described in the NCUA Wide Area Network diagram. Dial-up connections and the Internet connection are part of the network diagram. Connections to communication systems outside NCUA are protected through a NetScreen Firewall.

**Future (Target) Environment**

***Work Processes:***

The focus will be to provide tools to enhance the work processes for increased efficiency and effectiveness in accordance with the NCUA program on Accountability in Management.

***Information and Information Sets Used:***

All information and information sets shown above will continue to be collected. The focus will be on providing tools to enhance the collection processes for increased efficiency and effectiveness in accordance with the NCUA programs. NCUA will migrate toward using Web-based collection means and information distribution. Web-based Form 5300 and Form 5310 Call Report filing is the first step in that migration.

***Applications and Systems Supported:***

All functions of the applications and systems supported will continue to be supported. The focus will be on enhancing the applications and systems to improve the work. The Financial and Statistical System (Form 5300 and 5310 Call Report Data Collection) is under continuous review and enhancements by the Office of Examination and Insurance and the Office of Corporate Credit Unions. Efforts are also underway to develop a Risk Modeling System to enhance the examiner's capability to assess credit union risk profiles.

Additionally, NCUA will develop off-site monitoring for enhanced data management and supervision for increased efficiency and effectiveness in accordance with the new NCUA Risk-Focused Examination Program. Further, NCUA has embarked upon the process of developing enhanced training tools integrating e-learning capabilities into our

training process across the agency's enterprise. This enhanced training capability will greatly assist with NCUA's ability to transition to a risk-focused examination process through the efficient training of subject matter examiners.

***Technology Architecture:***

*Hardware.* NCUA replaces all the agency end-user computers every three years. This allows NCUA to stay current with changes in hardware and software technology.

Anticipated improvements in hardware include faster processing, greater data storage, enhanced archiving using multi-media removable drives, wireless capabilities, and smart card capabilities to improve security.

*Communications.* NCUA's goal is to constantly improve performance and availability of the network. Future plans to enhance the network include establishment of a virtual private network,

capability to support broadband access, establishment of back-up communication connections, and development of Public Key Infrastructure capabilities. NCUA also plans to continue its migration toward the convergence of its voice, video and data communications capability through the update to Voice Over Internet Protocol technology.

*Security.* Security is an integral part of all agency systems and is incorporated throughout the life cycle of each system. The Government Information Security Reform Act requires that agencies maintain and implement a security plan with appropriate security controls for all critical elements of each system in place. Each plan is reviewed annually for effectiveness. More frequent reviews are completed as necessary for significant changes to the system or to the environment.

## **Appendix C: Strategic Program Evaluation**

NCUA's Strategic Program Evaluation Plan focuses on how NCUA validates the data and information it uses in program performance measurement and how NCUA evaluates its programs for mission impact. This appendix also addresses the requirements of The President's Management Agenda and the directives of the Office of Management and Budget. The concepts, ideas and elements expressed within are intended for NCUA internal use only and do not address credit union evaluation.

The NCUA uses an integrated process to ensure program objectives and goals are aligned, focused, and assessed with accurate data. The data used to assess the agency's progress toward its strategic goals are evaluated from several perspectives to ensure appropriate alignment, integrity, validity and focus.

### **Strategic Management Council:**

Strategic program evaluation oversight begins with the Strategic Management Council, which is chaired by the Executive Director. The membership of the Council consists of all Regional and Office Directors and the Director of Strategic Planning, Office of Strategic Program Support and Planning, who is responsible for the administrative procedures of the Council and for facilitating the meetings.

The Council meets bi-monthly to review agency programs

and issues, as directed by the Executive Director, for strategic alignment with NCUA Board approved strategic and annual performance goals.

The Strategic Management Council provides a Semi-Annual Performance Report to the NCUA Board on the status of the agency's annual performance measures and goals. The Director of Strategic Planning, Office of Strategic Program Support and Planning, prepares the report for Strategic Management Council review and approval by the Executive Director.

### **Quarterly Performance Updates:**

Quarterly performance update reports are provided to the Office of Strategic Program Support and Planning by the regions and central offices that have direct responsibility for data concerning program performance measures, such as the Office of Examination and Insurance and the Office of Human Resources. The quarterly reports are reviewed by the Director of Strategic Planning for progress on strategic and annual performance goals and forwarded to the Executive Director on an exception basis.

**Monthly Management Reports:**

Monthly management reports are prepared by regional and central offices and provided to the Executive Director. The reports address regional and central office accomplishments and performance during the month. The Executive Director reviews the reports for strategic alignment and performance. The reports are consolidated and forwarded to the NCUA Board as a single agency-wide management report. The consolidated management report is used by the Office of Strategic Program Support and Planning, along with the regional and central office quarterly reports, in the development of the agency's semi-annual report to the NCUA Board.

**Strategic and Annual Performance Plans and Reports:**

The Office of Strategic Program Support and Planning uses inputs from the region and central offices, as above, in the development of the NCUA Strategic Plan and Annual Performance Plan and Report. NCUA invites stakeholders to contribute to the initial development of its Strategic Plan and to comment on the completed product. Stakeholder comment is in the form of summit meetings, teleconferences, e-mail and formal written input. NCUA's Strategic Plan is also posted on the NCUA Internet Website for general public review and comment.

NCUA's Annual Performance Plan and Annual Performance Report are also posted on the Internet upon completion. The general public is invited to comment on the documents and to recommend potential improvements for future updates.

**Information Technology Oversight**

**Committee:**

The Information Technology Oversight Committee is responsible for oversight, evaluation, and alignment of the agency's major information technology programs and initiatives. The Director of Strategic Planning, Office of Strategic Programs and Planning, chairs the Committee. The Chief Information Officer serves as coordinator. The other members are indicated in the Committee's Charter. The Committee is cross-functional and meets bi-monthly serving as an advisory and recommending body to the Strategic Management Council and the Executive Director.

The NCUA process for ensuring the integrity, accuracy, and alignment of data disseminated through the use of information technology systems was published in the Federal Register May 1, 2002, under the title "Guidelines for Ensuring The Quality of Disseminated Information." Additionally, the security and integrity of agency information is addressed in NCUA Instruction No. 13500.04, "Agency-Wide Information Security Policy & Procedures."

The Office of Chief Information Officer provides agency oversight of the execution of these procedures. Each regional and central office director is tasked by the Executive Director to ensure the alignment, accuracy, and integrity of their data. However, in general, NCUA uses ongoing security training, and management, operational and technical internal controls to ensure the validity, security, and accuracy of the data.

***Program and Data Evaluations:***

Financial program data integrity is maintained through multi-layered processes. These processes include:

- Continuous training of staff
- Using software controls and screen logic for error prevention.
- Conducting data integrity analysis on all reports.
- Conducting senior staff reviews of all reports.
- Maintaining strict system security controls.

The examination and supervision program for natural person and corporate credit unions employs multiple checks and balances to evaluate processes. These checks and balances are the responsibility of the Office of Examination and Insurance, the Office of Corporate Credit Unions, and the Regional Offices. A few are listed below by way of example:

*5300 Call Report Program.* The 5300 Call Report Program is the source of most data collected and reports produced concerning natural person credit union activities. The data are reviewed at three levels for accuracy and validity: the examiner level, the Regional or State Supervisory Authority level, and the Central Office level. The Automated Integrated Regulatory Examination System Committee conducts continuous reviews of the data collected to ensure specific alignment with the agency's program and to the changing environment of credit unions.

*Information System and Technology Program.* The Information System and Technology Program also provides continuous oversight of the natural person credit union data to address integration and use of information technology. The accuracy of this data is also reviewed at three levels, as above.

*5310 Call Report Program.* The 5310 Call Report Program is the source of most data collected and reports produced concerning corporate credit union activities. The data are initially reviewed for accuracy and integrity by the corporate field staff. If the corporate credit union has a state charter, the appropriate State Supervisory Authority may review the data. The Office of Corporate Credit Union staff then reviews the 5310 data of both federal and state corporate credit unions to assist in ensuring its integrity and accuracy. Corporate examination

procedures are also periodically reviewed to ensure their specific alignment with the agency's program and to the changing environment of corporate credit unions.

*Annual Audits.* An outside independent accounting firm conducts annual Certified Public Accountant audits on the National Credit Union Share Insurance Fund, National Credit Union Administration Operating Fund, Community Development Revolving Loan Program, and the Central Liquidity Facility to ensure the accuracy of their financial data.

***Office of the Inspector General Reviews:***

The Office of the Inspector General conducts an annual program evaluation of a selected area within the Government Performance Results Act planning environment. The results of that evaluation are used to further enhance NCUA's strategic and annual performance planning processes.

***Future Program and Data Evaluations:***

Ongoing processes and evaluations in the areas of financial management, information

technology, and examination and supervision programs will continue.

The Office of Inspector General Evaluation for 2002 focused on Strategic Goal #1. It assessed the evolution and measurement of the goal for the years 2000 – 2002.

Additionally, it focused on the following areas:

- Strategic goals development;
- Strategic goals monitoring, tracking, and performance reporting; and
- Strategic goals performance measurement for the years 2000-2002.

***Completed Program and Data Evaluations:***

In 2000-2001, NCUA Office of Inspector General conducted a program evaluation of the Call Report Data for natural person credit unions (Form 5300) and corporate credit unions (Form 5310). The Office of Inspector General concluded that the Call Report system, including the methods used by the agency to verify and validate the Call Report data for the identified goals, was appropriate.

## Appendix D: Glossary of Terms

**Environmental Scan** – a forward-looking perspective or scan of social, technological, economic, ecologic, political/legislative, international, or other conditions that are relevant to the major functions and operations of the agency over the time period covered by the plan.

### **Information Technology Enterprise**

**Architecture** - is the framework an organization uses to articulate its information technology priorities, to manage for results, and to tie information technology architecture to mission objectives. This framework is a comprehensive plan that includes the delimitation of information technology objectives and a description of how resources will be deployed to accomplish them.

**Outcome Goal** – a description of an intended result, effect, or consequence that will occur from carrying out a program or activity.

**Output Goal** – a target of performance of the level of activity or effort that will be produced or provided over a period of time or by a specified date, including a description of the characteristics and attributes (e.g., timeliness) established as standards in the course of conducting the activity or effort.

**Mission Statement** – the articulation of why an organization exists, the “business” it

engages in to achieve its purpose, and the values that guide the accomplishment of the mission.

**Performance Goal** – a target level of performance expressed as a tangible, measurable objective, against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate.

**Performance Measure** – the results of a program activity compared to its intended purpose expressed as an outcome (assessment) or an output (quantitative or qualitative).

**Performance Plan** – is derived from an agency's strategic plan and sets out measurable goals that define what will be accomplished during the time period of the plan.

**Performance Report** – is an assessment of an agency's actual performance and progress in achieving the goals and objectives in the strategic plan and annual performance plan. It also assesses the reliability and completeness of the data contained within it.

**Performance Target** – a specific tabulation, calculation, characteristic or value used to measure output or outcome.

**Program Activity** – a specific activity or project as listed in the program and financing schedules of the annual budget.

**Program Evaluation** – an assessment, through objective measurement and systematic analysis, of the manner and extent to which programs achieve intended objectives.

**Strategic Goal** – a broad definition of what an agency wants to achieve both organizationally and/or programmatically over a period of time. It should allow for a future assessment to be made of whether the goal was or is being achieved.

**Strategic Plan** – is the framework an organization uses to articulate priorities, to manage for results, and to tie results to the customer/member/beneficiary. The strategic plan is a comprehensive plan that includes the delimitation of strategic objectives and a description of how resources will be deployed to accomplish them.

**Strategic Picture** – the articulation of a forward-looking image based on the intelligent projection of trends that represent one or more probable scenarios over the time period covered by the plan. It identifies the environmental and operational factors that are relevant to the accomplishment of the major functions and operations of the agency.

**Value Statement** – the articulation of those defining characteristics or values that guide an organization's members as they pursue the mission.

**Vision Statement** – the articulation of the mental image that represents the successful accomplishment of the mission.

**Work Force Plan** – is the framework an organization uses to articulate human capital priorities, to manage for results, and to align the organizational structure with the efficient accomplishment of its mission. The work force plan is a comprehensive plan that includes the delimitation of specific human capital objectives designed to enhance effectiveness and a description of how resources will be deployed to accomplish them.