



[NCUA Strategic Plan 2003-2008](#)



**NCUA**

# **Strategic Plan 2003-2008**





Dennis Dollar  
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## ***NCUA BOARD MESSAGE***

The 21<sup>st</sup> century presents credit unions with distinct and varied challenges, many of which have been driven by the rapidly changing credit union member demographics and financial landscape. The challenge of maintaining a strong focus on member service, while still emphasizing safety and soundness, will define how credit unions perform in the midst of this changing environment. Credit unions have historically adjusted with vision and innovation to such marketplace and demographic changes, which is reflected in their strong record of performance year after year. It is crucial that the National Credit Union Administration, in setting our own vision as an agency, likewise adjust to and recognize the realities of that changing environment in a way which enables credit unions to respond to those changes in a dynamic way even as they remain committed to being the strong financial performers they have been over recent years.



This strategic plan seeks to reflect such a vision and to help facilitate such continued outstanding financial performance by the credit unions we regulate and/or insure.

Speaking of performance, let us look at some numbers. Credit unions thrived in 2000 and 2001, with both membership and assets reaching unprecedented new heights. As of December 31, 2001, credit union assets and shares had grown to \$501 billion and \$437 billion respectively, with capital remaining extremely strong at 10.84 percent. The number of credit union members nationwide grew to almost 80 million and the loan-to-share ratio stood at an impressive 73.76 percent. Honoring their historical commitment to serving people from all walks of life, credit unions, fully embracing NCUA's Access Across America initiative, last year adopted more than 16.1 million potential new members living in underserved areas to their fields of membership.

While credit unions experienced asset growth attributed largely to a combination of the recent economic recession and the resulting flight of deposits from a struggling equity market to the safety of federally insured credit unions, credit unions must recognize and plan for the potential departure of an undetermined portion of these funds as the nation recovers from the recession. The NCUA must continue its diligent management of risk to the National Credit Union Share Insurance Fund in the face of these uncertainties. NCUA must be flexible without compromising our standards in our oversight of credit unions as they adjust to their changing deposit levels and net worth.

The rapid advances in technology and the changing expectations of credit union members are dynamically shaping the delivery of credit union services. Member information, privacy and security have emerged as major areas of interest and concern. Competition will continue to serve an effective role in enhancing member services. As credit unions adapt to this changing environment, so must NCUA.



The shifting of funds between various markets, increasing competition from traditional and non-traditional financial institutions, a larger number of immigrants entering the financial markets, generational and family structure shifts and the impact of uncontrollable external factors that affect all financial considerations reinforce the need to continue NCUA's transition to a more forward-looking organization. NCUA must continue to build on the century-long cooperative spirit of credit unions with the concepts and ideas learned from our most recent history, which include the benefits of flexibility, responsiveness, effectiveness, efficiency and preparedness.

With change comes both opportunity and risk. While there is a degree of risk in responding to change, there is likewise an opportunity to respond in a positive manner that will translate to enhanced member services and a stronger, safer credit union community. The task before NCUA and the credit unions we regulate is not to avoid risk, but to manage it while taking advantage of opportunities for growth and development.

In our roles as regulator and insurer, NCUA will continue to direct our approach toward establishing an environment in which credit unions thrive in an increasingly competitive market while maintaining safety and soundness. Though we should not and will not lower our standards, we can and should consider changes in the financial marketplace and work cooperatively with other agencies and regulators with similar missions. Together with the credit union industry, we can work toward our mutual goal of a safe, sound and healthy credit union system. As stewards of the credit union funds entrusted to us, we must strive to accomplish our mission as effectively and efficiently as possible.

The strategies and efforts of NCUA must be formulated with a sense of awareness and concern for change. We have learned from recent events the importance of due diligence and preparedness for the unimaginable.

Finally, in keeping with the President's request in the President's Management Agenda for all federal agencies, we will continue our commitment to always remain a citizen-centered agency



and, where appropriate within the independent structure to which NCUA has been assigned by Congress, be open to the scrutiny of those whom we support, regulate and insure. With this in mind, we began the update of NCUA's strategic plan by holding more than 200 summit and focus groups of stakeholders and staff that resulted in what we believe is an excellent plan for the future. We thank all who participated in the development of this plan. Your participation and input has resulted in a much better product.

As the journey continues, we will continue to work within the parameters of both the statutes and the principles of safety and soundness to be an even more effective agency, even as we strive to provide the credit unions we regulate and/or insure with the necessary latitude and flexibility to grow to meet the ever-changing demands of their memberships. The results will speak not only for NCUA as an agency, but for America's credit unions and the over 80 million credit union members whose financial futures, we believe, will be positively impacted by those results.

*Dennis Dollar*

*Chairman*

**JoAnn Johnson**

***Board Member***

**Deborah Matz**

***Board Member***



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## Preamble

### I. The NCUA

#### 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 share insurance fund 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



## NCUA Strategic Plan 2003-2008

*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.*



## II. Introduction

*“An Act to establish a Federal Credit Union System, to establish a further market for securities of the United States and to make more available to people of small means credit for provident purposes through a national system of cooperative credit, thereby helping to stabilize the credit structure of the United States.”*

The Federal Credit Union Act  
June 26, 1934

Credit unions have long been a part of the American economic landscape. Growing from the first credit union in 1909 and its handful of members, today's credit unions are approximately 10,000 in number with nearly 80 million members and over \$500 billion in assets as of December 31, 2001. Credit unions remain not-for-profit, cooperative financial institutions, owned and controlled by the members who use their services.

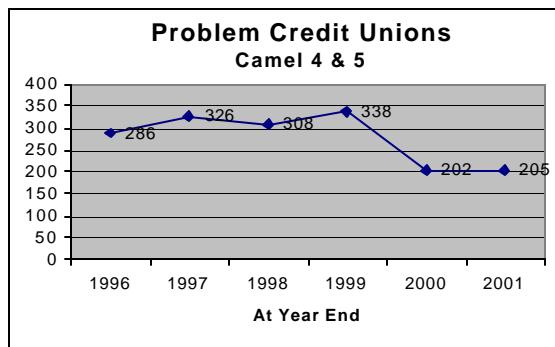
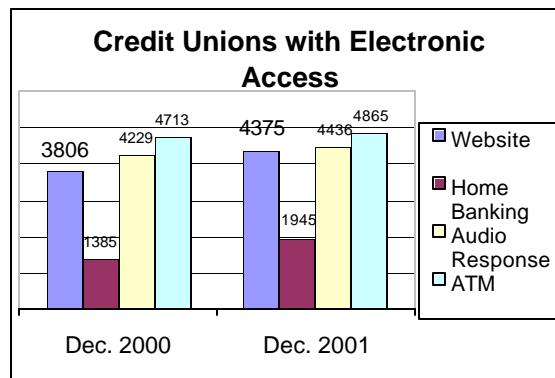
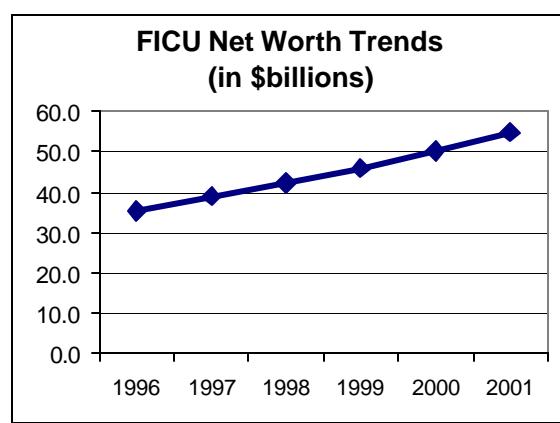
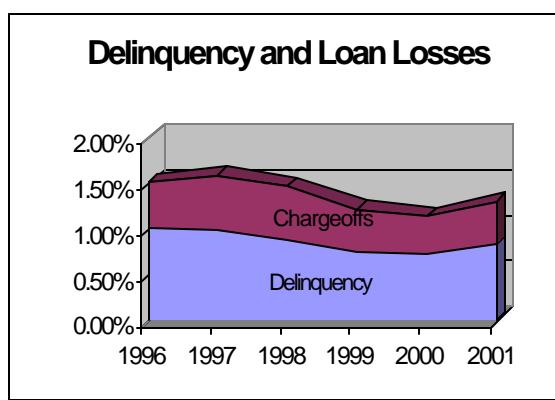
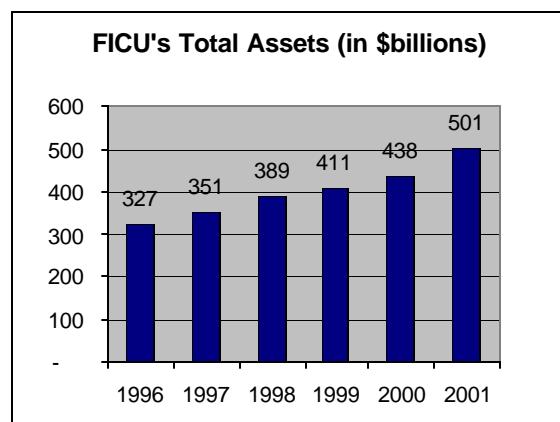
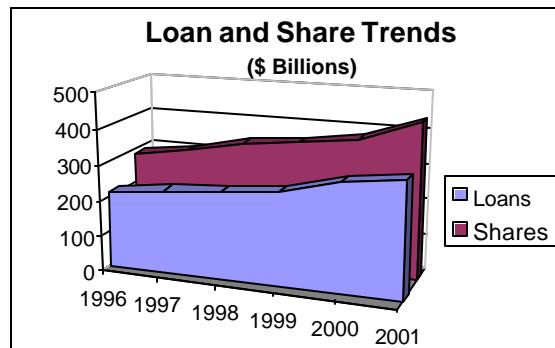
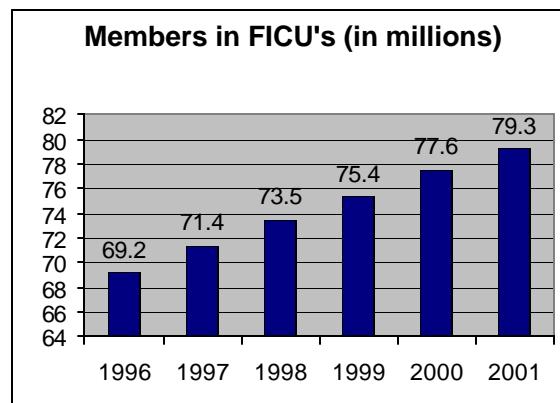
Credit unions began as a means to provide safe, convenient places for members to save money and get loans at reasonable rates. Today, credit unions are much more complex offering a range of diverse services. Yet, they remain safe convenient places for their members to obtain financial services.

### **The Credit Union Industry:**

(As of December 31, 2001)

There are 9,984 federally insured natural person credit unions, of which 6,118 are federal charters and 3,866 are state charters. There are 34 corporate credit unions that play a critical role in the operations of natural person credit unions. Corporate credit unions are a natural person credit union's credit union. They provide investment, liquidity, and a variety of correspondent products and services to the credit union industry.

The industry today is stronger than ever, as evidenced by their financial performance. As indicated in the following charts, membership in credit unions has steadily increased with a corresponding increase in assets and net worth. Credit unions are making more loans while the delinquency rate and the numbers of problem credit unions are the lowest they have been in years. The increase in the number of credit unions providing electronic access capability is a clear indication that they have been leveraging technology as they keep pace with the rapidly changing financial services marketplace.





The Supervisor and Regulator of Federal Credit Unions and Manager of the National Credit Union Share Insurance Fund and the Central Liquidity Facility:

NCUA, established in 1970, is an independent financial regulatory agency that is funded by the credit unions it regulates and insures. It receives no taxpayer funds for its operations or for credit union insurance. NCUA has 995 employees distributed across six regions and a central office as of December 31, 2002.

The Federal Credit Union Act establishes three roles for the NCUA.

- Charter and supervise federal credit unions;
  - Establish guidelines for entry
  - Establish standards for charter membership
  - Determine who has met those standards
- Manage the National Credit Union Share Insurance Fund; and
  - Provide strong financial backing for the system
  - Ensure only appropriate levels of risk to the fund are taken
- Manage the Central Liquidity Facility
  - Provide an emergency source of liquidity for the system

- Note: Corporate credit unions serve as agents for the CLF to facilitate the movement of liquidity throughout the credit union industry.

In the performance of these roles, NCUA charters, regulates, and insures all federally chartered credit unions in the United States and its territories. It also insures the vast majority of state chartered credit unions. NCUA works in partnership with the individual State Supervisory Authorities and their examiners in the insurance supervision of federally insured state chartered credit unions.

NCUA also provides equipment and training to federal and state examiners to ensure consistency of insurance supervision across all federally insured credit unions. For example, NCUA has trained state examiners along side NCUA examiners in the risk-focused examination and supervision procedures. Further, in addition to its normal contingent of examinations, NCUA assists the State Supervisory Authorities in the accomplishment of examinations of credit unions with potentially higher risk to the NCUSIF, and in cases where state resources are limited.

NCUA has changed as the credit union movement has evolved; yet the agency still remains a committed regulator and insurer of the



credit union movement and its assets. Recently NCUA began one phase of change with its Strategic Plan 2000-2005. The change reflects an evolution toward a more forward-looking organization that will be responsive to future mission requirements and increasingly customer focused in its execution. This change is being driven by a shifting financial services landscape and changing mix of members with varying desires, cultures, and means.

To make the plan effective, results must be assessed and corrections made where applicable. NCUA's Strategic Plan 2003-2008 represents a phase of that assessment and the next step in NCUA's evolution. The assessment is results-oriented, analyzing progress made toward achieving established performance goals and measures, and determining the strategies needed to meet these goals with a forward focus.

Reflecting the shift toward more efficient operations, NCUA has integrated its Information Technology Strategic Plan and Human Capital Management Plan as integral parts of our Strategic Plan 2003-2008. These inclusions also emphasize the growing importance of the safe and secure use of information technology and the effective use of human capital management. Additionally, the applicable elements of the government-wide initiatives of the President's Management Agenda, Government Information Security Reform Act and other government

performance-oriented Acts and initiatives were integrated into our Strategic Plan.

This integration of requirements provides NCUA with a single integrated performance source document that answers the questions:

- Where is the NCUA today?
- Where is NCUA going tomorrow?
- How does NCUA plan to get there?
- What resources are required?
- What will success look like?

The equally important question, how much will it cost to get there, remains? This question is answered in NCUA's Annual Performance Plan.

In order to perform its mission in the most effective and efficient manner, NCUA often utilizes staff to perform simultaneous roles. As a result, many of its strategies and goals serve to achieve more than one of its goals or objectives and support more than one of its mandated roles.

NCUA began the update of Strategic Plan 2003-2008 by turning to the people it serves. NCUA held over 200 summit meetings and focus groups seeking input from credit unions, trade associations, state regulators, and individuals. NCUA thanks all who participated in these discussion groups or provided input through letters or e-mail. As a result, the NCUA Strategic Plan 2003-2008 is more responsive and



member-centered as requested by the President's Management Agenda Year 2002.

**NCUA Response:**

The development of a strategic picture and an environmental scan were central to NCUA's Strategic Plan 2003-2008. The strategic picture represents a consensus assessment of the credit union movement in the year 2008. The environmental scan represents a similar assessment of those external factors during the same period that could potentially impact NCUA's ability to complete its mission. NCUA used this information to identify critical trends and issues that must be addressed to successfully achieve its mission of safety and soundness.

NCUA began these assessments in 1999 and over the subsequent years has developed its response. The NCUA response is embodied in the agency's transition to a risk-focused examination process, the development of subject matter examiners, the implementation of a risk-based scheduling system, and with improved off-site monitoring through data collection. This transition will assist the agency in looking forward to identify and address risks before they become major problems. By concentrating on the risks associated with the identified emerging issues and trends, NCUA can maximize the efficient use of its limited resources while serving as an effective steward of credit union funds.

NCUA's Strategic Plan 2003-2008 lays out the proposed path of this evolution. This plan, based on the credit union community-developed strategic picture and environmental scan, provides a "roadmap" to the future. The plan is a "roadmap" that is subject to change based on our economic cycle and the impact of future major events. It represents a starting point upon which to build a more effective, efficient and forward-looking organization.

NCUA's Strategic Plan 2003-2008 consists of two parts. Part one consists of the Performance Matrix, which lays out NCUA's long-term goals and objectives. This part also identifies the steps NCUA plans to take to get there in the form of Annual Performance Goals for years 2003-2008. As in any strategic plan, these performance goals are subject to change and are considered for long-term planning purposes only, until formally approved by the NCUA Board in the Annual Performance Plan for the execution year.

Part two consists of several appendices. These appendices provide in-depth detail for those elements that contribute to the development of our strategic plan; the Strategic Picture and Environmental Scan, as well as the framework for critical areas such as Human Capital Management, Information Technology, Strategic Program Evaluation and Contingency Planning. The appendices also permit NCUA to meet other requirements (President's Management Agenda,



Clinger-Cohen<sup>1</sup>, and Office of Management and Budget) within a single document. It should be noted that Appendices C, D, E, and F address NCUA's internal operations only.

Together, these two parts present an ambitious but navigable road map whose destination is the achievement of NCUA's strategic vision of ensuring credit unions are as dynamic as they are safe and sound. As credit unions continue

to provide affordable financial products and services for people of all walks of life through initiatives such as "Access Across America", NCUA is committed to providing a regulatory environment which enables that extension of service while ensuring it to be built on the foundation of safety and soundness.

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<sup>1</sup> The Information Technology Management Reform Act and the Federal Acquisition Reform Act together are known as the Clinger-Cohen Act. These require agency heads to develop a process to select, manage, and control IT investments and to link them to agency goals.



## Part One – Strategic Plan 2003 – 2008 Performance Matrix

### *Strategic Goals*

<u>Program Activity</u>	
Safety and Soundness:	
➤ Regulatory Compliance	➤ Credit Union Growth/Community Development
➤ Insurance	➤ Asset Management

#### Strategic Goal #1

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

#### Objective

Recognizing the strength of the credit union system is based on the individual credit unions (natural person and corporate) themselves, Strategic Goal #1 focuses on the financial health of the individual credit unions. The means and strategies for accomplishment consider four elements; promotion of effective risk management, timely resolution of issues, effective future planning and effective management of the NCUSIF. All four elements directly or indirectly affect each of NCUA's roles and are necessary for credit unions to remain competitive in today's rapidly changing market space.

#### Outcome Goals

1.1: Create a regulatory environment that promotes effective risk management practices.	1.2: Resolve safety and soundness issues in a timely manner.	1.3: Promote effective planning to meet current and potential future financial challenges.	1.4: Promote healthy financial performance through effective and diligent management of the NCUSIF.
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#### Means and Strategies:

1. Complete the transition to full operational capability of a risk-focused examination process and risk-based scheduling system utilizing Subject Matter Examiners in their respective areas.
2. Focus the risk-focused examination on the forward analysis on the seven areas of risk that is relevant to credit union operations.<sup>2</sup>
3. Concentrate the risk-focused examination on credit union management's ability to identify, evaluate, monitor and control risk in their institutions.
4. Work cooperatively with the State Supervisory Authorities in their assessment of the financial and operational condition of federally insured state-chartered credit unions and in properly managing their risk to the NCUSIF.
5. Continue to enhance means to evaluate risk to the National Credit Union Share Insurance Fund at the individual credit union, geographic area, region, and national level.
6. Continue to work with the Federal Financial Institutions Examination Council's six task forces in carrying out interagency objectives and activities as well as common goals and objectives.
7. Ensure examiner training promotes risk-based examination philosophy and consistency of approach across all regions and across all participating SSA programs.
8. Continue to issue Letters to Credit Unions, Regulatory Alerts, Technical Bulletins and other official communications as warranted on a timely basis.

<sup>2</sup> The seven risk areas are; credit, interest rate, liquidity, transaction, compliance, strategic, and reputation.



9. Identify any undue risk to the NCUSIF and react appropriately to mitigate this risk, utilizing supervision tools currently available and under development, such as sophisticated risk modeling tools, on-site monitoring and off-site monitoring.
10. Ensure the corporate credit union system continues to serve the Central Liquidity Facility in the performance of its liquidity role in facilitating credit union financial health.

<b>Annual Performance Goal 1.1</b>		<b>Note: Only changes to the base year 2003 are annotated in years 2004-2008</b>
➤ 2003		1.1a: Review one third of NCUA regulations annually for needed changes. Note: This includes regulations that affect both natural person and corporate credit unions. 1.1b: Complete the program review phase of the transition to a risk-focused examination process.
➤ 2004		1.1b: (Changed) Implement full operational capability of the risk-focused examination process.
➤ 2005		1.1b: (Deleted)
➤ 2006		1.1b: (Added) Evaluate and enhance the risk-focused examination process.
➤ 2007		1.1b: (Changed) Continue to enhance the capability of the risk-focused examination process.
➤ 2008		No change from year 2007.

<b>Annual Performance Goal 1.2</b>		
➤ 2003		1.2a: Effectively monitor and assess the percentage of federally insured credit unions with long-standing unresolved problems that threaten their safety and soundness. 1.2b: Effectively monitor and assess the percentage of critically undercapitalized federally insured credit unions that are more than 2 years old.
➤ 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>Annual Performance Goal 1.3</b>		
➤ 2003		1.3: Ensure that NCUA's communication processes, including examinations, serve as effective means to provide credit unions with critical and other valuable information.
➤ 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>Annual Performance Goal 1.4</b>	
➤ 2003	1.4a: Manage the NCUSIF in an effective and prudent manner to support credit union deposit insurance needs. 1.4b: Complete the program evaluation phase of the Office of Examination and Insurance risk assessment-modeling tool.
➤ 2004	1.4b: (Changed) Implement full operational capability of the risk management model.
➤ 2005	1.4b: (Changed) Continue to assess and enhance the risk management model.
➤ 2006	No change from previous year.
➤ 2007	No change from previous year.
➤ 2008	No change from previous year.

### **Strategic Goal #2**

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

#### **Objective**

Today's dynamic marketplace has served as an impetus for an increasing number of credit unions to adopt information technology as a means to deliver financial services. Accordingly, the ease of access through the use of information technology brings its own set of issues that must be overcome to prevent adverse impact upon the credit union system. NCUA considers two elements in its approach to these issues under Strategic Goal #2. The ability of examiners to remain current on the risks and the ability of credit unions to manage these risks, are the central focus of Strategic Goal #2. NCUA's three roles, as described in the Federal Credit Union Act, are directly affected by the success or failure of these elements. Strategic Goal #2's focus applies to natural person and corporate credit unions.

#### **Outcome Goals**

2.1: Ensure that NCUA staff develops and maintains the necessary level of expertise to effectively identify, measure and monitor the risks that existing and emerging financial service technologies pose to credit unions and the NCUSIF.	2.2: Provide a regulatory environment, which encourages credit unions to safely integrate, operate and effectively manage existing and emerging financial service technology.
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#### Means and Strategies:

1. Continue to work with the six task forces of the Federal Financial Institutions Examination Council in carrying out interagency objectives and activities as well as common goals and objectives.
2. Develop and implement a comprehensive program designed to provide initial and continuing education/training to subject matter examiner's, examiners and SSA staffs. This program should include establishing a baseline, program testing, evaluation, and reassessment through an examiner survey.
3. Enhance the sharing of Information Systems and Technology best practices among examiners, credit unions and trade associations through group meetings, regional intranet sites, and participation in sessions provided by the trade associations.
4. Collect data from the call report and e-commerce examination work paper to identify the number of CUs engaging in e-commerce activity and the type of activity utilized (informational, transactional, interactive).
5. Solicit input from the Information Systems and Technology subject matter examiner's and from examiner staff to revise and update the e-commerce examination work paper used to identify and evaluate e-commerce risk.
6. Redesign the e-commerce examination work paper to facilitate the collection of data. (Deleted in 2004)
7. Use subject matter examiners in the examination and supervision of CUs engaging in e-commerce activity and to provide training to other examiners.



8. Modify NCUA 110 to identify CUs engaging in e-commerce activity with an unsatisfactory level of risk.  
(This Means and Strategy is deleted in 2004)
9. Identify problem CUs and develop means to reduce the number within a given timeframe through the facilitation of problem solutions.
10. Provide appropriate guidance to CUs regarding developing technology plans, business continuity planning, security, minimum due diligence expectations for outsourcing relationships, and best practices through annual letters to CUs, NCUA website information and links to other informational websites.
11. Allocate staff and other agency resources based on identified e-commerce risks.
12. Promote voluntary agreements for 3<sup>rd</sup> party e-commerce vendor reviews.
13. Track e-commerce providers to monitor the volume and level of associated risk.

<b>Annual Performance Goal 2.1</b>		<b>Note: Only changes to the base year 2003 are annotated in years 2004-2008</b>
➤ 2003		2.1: Develop and pilot a training program for Information Systems and Technology subject matter examiners and SSA staffs.
➤ 2004		2.1: (Modified) Complete the program evaluation phase of the training program for Information Systems and Technology subject matter examiners and SSA staffs.
➤ 2005		2.1: (Modified) Implement full operational capability of the training program for Information Systems and Technology subject matter examiners and SSA staffs.
➤ 2006		2.1: (Modified) Continually enhance the training program for Information Systems and Technology subject matter examiners and SSA staffs.
➤ 2007		No change from previous year.
➤ 2008		No change from previous year.

<b>Annual Performance Goal 2.2</b>		
➤ 2003	2.2: Enhance the use and understanding of technology plans, due diligence expectations and best practices within the credit union community.	
➤ 2004	2.2b: (Added) Resolve problems in credit unions engaging in e-commerce activity with an unsatisfactory level of risk.	
➤ 2005	No change from previous year.	
➤ 2006	No change from previous year.	
➤ 2007	No change from previous year.	
➤ 2008	No change from previous year.	

<b>Strategic Goal #3</b> Create a regulatory environment that will facilitate credit union innovation to meet member financial service expectations.					
<b>Objective</b> Strategic Goal #3 is a determining factor for NCUA's three mission roles as it directly affects the ability of credit unions to remain competitive in today's dynamic marketplace. The goal recognizes that our economic environment is increasingly dynamic and volatile; and while standards must remain high, the ability of credit unions, both natural person and corporate, to develop new products and grow must be considered as well. The means and strategies of the goal therefore address three elements; the clarity of the rules, the flexibility of the rules, and the width of the boundaries established by the rules.					
<b>Outcome Goals</b> <table border="1"><tr><td>3.1: Ensure NCUA Regulations are current, clearly written, flexible, necessary, and relevant for an effective regulatory environment.</td><td>3.2: Support credit union efforts to provide innovative and competitive financial services in a changing economic environment.</td><td>3.3: Encourage credit unions to meet the economically and sociologically changing financial needs of credit union members.</td></tr></table>			3.1: Ensure NCUA Regulations are current, clearly written, flexible, necessary, and relevant for an effective regulatory environment.	3.2: Support credit union efforts to provide innovative and competitive financial services in a changing economic environment.	3.3: Encourage credit unions to meet the economically and sociologically changing financial needs of credit union members.
3.1: Ensure NCUA Regulations are current, clearly written, flexible, necessary, and relevant for an effective regulatory environment.	3.2: Support credit union efforts to provide innovative and competitive financial services in a changing economic environment.	3.3: Encourage credit unions to meet the economically and sociologically changing financial needs of credit union members.			



Means and Strategies:

1. Conduct reviews of examination and supervision procedures taking into consideration economic conditions. It should be noted that while the “Reg-Flex” rule was formally passed and instituted, it has evolved into much more than a rule. “Reg-Flex” has become a philosophy and focus established by the NCUA Board and is reflected throughout all NCUA does to accomplish its mission during the twenty-first century.
2. Conduct reviews of NCUA regulations of both natural person and corporate credit unions for needed changes to ensure they are current, necessary, and effective.
3. Promote regulatory and legislative efforts designed to reduce barriers and impediments to both natural person and corporate credit unions being able to meet changing member expectations.
4. Enhance the ability of NCUA to share information and legislative efforts with credit unions, leagues, State Supervisory Authorities and associations.
5. Continue to promote a strong dual-chartering system by maintaining a balanced “playing field” through the appropriate means for the two systems.
6. Ensure NCUA continually reviews its regulations on a triennial basis providing credit unions with current effective regulatory guidance for risk management.
7. Ensure NCUA continues to review and seriously consider all communications/input regarding the effectiveness of all regulations.

<b>Annual Performance Goal 3.1</b>		<b>Note: Only changes to the base year 2003 are annotated in years 2004-2008</b>
➤ 2003		3.1: Review one third of NCUA regulations annually for needed changes.
➤ 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>Annual Performance Goal 3.2</b>		
➤ 2003		3.2: Review examination and supervision procedures to ensure they are flexible and serve to facilitate enhanced services in a competitive environment while maintaining safety and soundness.
➤ 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>Annual Performance Goal 3.3</b>		
➤ 2003		3.3: Enhance credit union financial services by reducing regulatory barriers and sharing information and legislative efforts with credit unions, leagues and associations.
➤ 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.



#### **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 serving those of modest means.

#### **Objective**

Credit unions evolved out of a need to provide access to financial services to all segments of our population. That tradition continues today and Strategic Goal #4 focuses on the means through which credit unions accomplish this historical role. NCUA's ability to provide the needed flexibility is the key focus of this goal. It recognizes the fact that credit union growth and development is a necessary factor for the accomplishment of this element.

#### **Outcome Goal**

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

##### Means and Strategies:

1. Promote and enhance the ability of federal credit unions to expand the availability of affordable financial products and services and products to people from all walks of life through the Access Across America initiative.
2. Encourage credit union use by all Americans through an education initiative on the value of the NCUSIF account coverage.
3. Encourage and facilitate federally chartered credit unions to focus on providing competitive services based on sound business practices, to partner with others to increase efficiencies and to consider means to provide technologically based services to those not having access to the Internet.
4. Encourage and facilitate federal credit unions to develop business plans that identify prospective new members and to monitor trends in their fields of membership, in order to facilitate the continued future viability of the credit union.
5. Provide federal credit unions with an efficient process to expand fields of membership through effective statutes (including Federal legislation), regulations, policies and procedures.
6. Identify challenges in forming new federal charters and expanding existing charters, and identify and share resources to mitigate those challenges, partnering with trade associations and others to enhance service to underserved groups.
7. Review statutes and regulations with a focus on such areas as field of membership, Credit Union Service Organizations, voluntary mergers, and incidental powers.
8. Explore technological means for effective two-way communication between the credit union community, SSAs, and NCUA.
9. Facilitate resource identification for federal credit unions to obtain economies of scale.
10. Facilitate resource identification for federal credit unions to attract and retain new members, especially those in underserved areas.

<b>Annual Performance Goal 4.1</b>	<b>Note: Only changes to the base year 2003 are annotated in years 2004-2008</b>
➤ 2003	4.1a: Expand availability of financial services to people of all walks of life through the Access Across America initiative. 4.1b: 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. 4.1c: Implement a review process of the successes and difficulties encountered by new charters and identify common themes or reasons for success or failure.



➤ 2004	4.1b: (Modified) Maintain a process to identify emerging trends in demographics and financial service offerings and share information with examiners, State Supervisory Authorities, and federal credit unions. 4.1c: (Modified) Maintain a review process of the successes and difficulties encountered by new charters and identify common themes or reasons for success or failure. 4.1d: (Added) Establish a triennial review process to address identified issues to facilitate mergers, which NCUA prefers, to liquidations.
➤ 2005	No change from previous year.
➤ 2006	No change from previous year.
➤ 2007	No change from previous year.
➤ 2008	No change from previous year.

### Strategic Goal #5

Enhance NCUA's organization in its efforts 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 twenty-first century.

#### Objective

Strategic Goal #5 focuses on NCUA itself, recognizing that the overall effectiveness and efficiency of the agency and its structure directly affects all three mission roles. In doing so, the goal focuses on three elements; people, the tools and the structure, necessary to ensure that the agency is providing value added service to the credit union community. All require sound business planning, a results-oriented approach and a vision for the future.

#### Outcome Goals

5.1: Provide NCUA with the ability to identify management and human capital issues and trends and implement timely solutions before the issues become critical.	5.2: Provide NCUA with an integrated, reliable and secure Information Technology structure that is fully supportive of NCUA strategic goals.	5.3: Provide NCUA with an organizational structure that is responsive to the changing credit union community environment, which maintains safety and soundness while supporting credit union growth and development.
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Note: Strategic Goal #5 addresses NCUA internal operations and programs and their ability to support the effective and efficient operations of the agency.

#### Means and Strategies:

1. Ensure human capital support systems provide necessary tools to meet current and evolving requirements of risk-focused transition and those set by the Office of Personnel Management.
2. Investigate means of bridging the required competency gap for required expertise using competitive sourcing where appropriate.
3. Ensure NCUA has an effective means to continuously evaluate needs, plan for and execute required training for current and future personnel in all program and support areas.
4. Ensure NCUA has an effective means to continuously evaluate emerging technologies as potential tools to enhance operational effectiveness and efficiency where appropriate.
5. Ensure NCUA has an effective means to provide safe and secure operations of its network and systems.
6. Continue to work with the Federal Financial Institutions Examination Council's six task forces in the development of standard training courses to provide uniform examiner training.
7. Continue to work with the Government Performance and Results Act Financial Institutions Regulatory Working Group to identify common goals and objectives, share best practices and address common budgeting and planning issues.



8. Continue to work with the government-wide Financial and Banking Infrastructure Information Committee to improve and enhance NCUA's contingency planning capability in support of the nation's overall financial system.
9. Promote internal collaboration and efficiency by maintaining a continual strategic dialog between all NCUA Regional and Office Directors through their participation on the Strategic Management Council.
10. Employ effective business planning strategies to continually evaluate the validity and applicability of NCUA's strategic goals, outcome goals, and annual performance goals and measures.
11. Continue to ensure that the agency identifies, resolves, and reports security weaknesses and risks, as well as protect against future vulnerabilities and threats in accordance with the Government Information Security Reform Act, and the Office of Management and Budget's Updated Guidance on Security Plans of Action and Milestones.

<b>Annual Performance Goal 5.1</b>		<b>Note: Only changes to the base year 2003 are annotated in years 2004-2008</b>
➤ 2003		5.1a: Provide managers with access to human capital data to make optimal human resource decisions concerning workforce planning, organization, training and development. 5.1b: Provide NCUA with a workforce that 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.
➤ 2004		5.1b: (Changed) Provide NCUA with a workforce that is appropriately trained to meet requisite competencies and skills to fully support the risk-focused examination and supervision programs.
➤ 2005		No change from previous year.
➤ 2006		No change from previous year.
➤ 2007		No change from previous year.
➤ 2008		No change from previous year.

<b>Annual Performance Goal 5.2</b>		
➤ 2003	5.2: Leverage existing and emerging technologies to enhance NCUA's computing capabilities.	
➤ 2004	5.2: Ensure secure, efficient access of agency information technology capabilities to all authorized users.	
➤ 2005	No change from previous year.	
➤ 2006	5.2: (Changed) Leverage existing and emerging technologies to enhance NCUA's computing capabilities.	
➤ 2007	5.2: (Changed) Ensure secure, efficient access of agency information technology capabilities to all authorized users.	
➤ 2008	No change from previous year.	



<b>Annual Performance Goal 5.3</b>	
➤ 2003	5.3: Implement the Accountability in Management process to assess the current environment and organizational structure to facilitate enhanced NCUA effectiveness and efficiency. Note: The Accountability in Management process is currently taking an in depth look at the organizational structure, size and composition with a goal of improving agency effectiveness and efficiency. More detail will be added when the studies are complete.
➤ 2004	5.3: (Modified) Annually re-assess the current environment and organizational structure for potential enhancements to NCUA's effectiveness and efficiency.
➤ 2005	No change from base year.
➤ 2006	No change from base year.
➤ 2007	No change from base year.
➤ 2008	No change from base year.



## Part Two – Appendices

### Appendix A - Strategic Picture

The strategic picture represents a collective view of the credit union movement and where it will be in the year 2008, the final year of this plan. NCUA developed the strategic picture to provide a better understanding of the changes taking place in the industry and the resulting challenges. With a focus on the future, NCUA will establish goals that are better designed to meet the needs of the credit union community and its changing membership.

In order to build this collective view, NCUA sought the perspective of a wide variety of representatives from the credit union community including state regulators, NCUA office and field staff, and trade associations. We conducted over 200 stakeholder summit meetings nationwide and received many additional comments through e-mail and letters. This strategic picture represents a synopsis of the future from these many perspectives.

The credit union strategic picture for 2003-2008 will be one of constant change. As in the past ten years, the number of credit union members and the amount of credit union assets will continue to grow. At the same time, the number of institutions will continue to decline by a small percentage each year. This consolidation of

credit union assets is a by-product of the competitive market, which results in better services at competitive rates for credit union members.

Members' demands, technological advances, and statutory/regulatory changes will drive future credit union services. Many credit unions will experience challenges in obtaining and retaining expertise in the expanding arena of financial services and related technologies. A major part of this challenge will be providing staff training to keep pace with the ever-changing environment.

As a result, credit unions will increasingly look toward partnerships, third party vendors, credit union service organizations, and undiscovered technological advances to meet members' demands. These alternatives will allow smaller institutions to provide financial services with the economy of scale and staff expertise found in larger organizations. As financial services expand, more of these services will be recorded off balance sheet making the assessment and management of risk to the National Credit Union Share Insurance Fund more complex.

Credit unions will be competing with traditional and non-traditional financial service providers. The competition will come from brokerage



firms, insurance companies, and Internet banks as well as from other credit unions. Credit unions will seek out younger and increasingly diverse members through charter expansions, including conversions to community charters, to sustain their long-term growth and viability.

Credit union margins will likely shrink due to increased labor costs and investments in technology. As a result, many credit unions will seek ways to increase efficiency and will re-evaluate the adequacy of service fees. Even so, industry capital will continue to be strong.

The foreseeable industry and environmental changes will be rapid, necessitating an agile approach by NCUA in adapting to change. As such, NCUA plans to take a preemptive approach by implementing a process of scanning the horizon, planning ahead for potential outcomes, and acting with due diligence as it goes through the four-phased cycle of identifying emerging issues, updating policies and procedures, performing daily operations, and planning for both the short- and long-term.

NCUA, in coordination with state regulators, will respond to these changes and shifts in the sources of risk through its risk-focused examination and risk-based scheduling programs. This transition, when combined with efficiency initiatives, will allow NCUA to be more effective in the use of its resources

resulting in lower overall risk to the industry and the National Credit Union Share Insurance Fund. Additionally, NCUA will take a broader view to identify systemic risk concentrated in certain geographic areas and related industries within the credit union industry.

The strategic picture is one of promise buoyed by the long-standing tradition of credit unions in providing access to financial service to all members at reasonable rates, while remaining steadfast to an equally long-standing commitment to safety and soundness and member service.



## Appendix B - Environmental Scan

The environmental scan is a forecast of the social, technological, economic, and political/legislative environments under which credit unions will be functioning through 2008, the final year of this plan. 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 through the course of this plan.

Projected U.S. Population (Thousands):<sup>3</sup>

	<b>2000</b>	<b>2008</b>	<b>Change</b>
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>4</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>3</sup> U.S. Census Bureau Data

<sup>4</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>5</sup>

Another impact of this generational shift may be increasing difficulty in attracting and retaining credit union volunteers.<sup>6</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 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

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<sup>5</sup> Courier, Eileen "Shifting Wealth,"  
<http://www.cues.org/education/0700wealthshift.htm>  
(Jan 2002)

<sup>6</sup> NAFCU Economic Assessment, 2002



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>7</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>8</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 for 2003 through 2008 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

<sup>7</sup> John A. Byrne, “*Management by WEB*,” Business Week Magazine, August 28, 2000.

<sup>8</sup> Timothy Koogle, CEO Yahoo! Inc., August 2000.



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.

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.



## Appendix C: Human Capital Management Plan

NCUA's Human Capital Management Plan focuses on the means by which its personnel are recruited, trained, and retained in the most effective and efficient manner to accomplish the mission. It also addresses the requirements of The President's Management Agenda and the directives of the Office of Personnel Management. The concepts, ideas and elements expressed within are intended for NCUA internal use only.

### ***Environmental Scan:***

***Demographics.*** The NCUA staff is its most critical and valuable asset. The agency has invested substantial amounts of time and effort in recruiting, developing and maintaining its highly performing, qualified and diverse workforce. NCUA's workforce demographics reflect a much younger workforce than is typical in most federal agencies. For this reason, NCUA does not expect a wave of retirements proportionate to what other agencies will experience in the next 10 years. At the staff, or non-supervisory level, the peak in retirement eligibility is not anticipated before 2020.

However, NCUA's largest number of retirements within the next 10 years will be at the supervisory and executive level. Nearly 65 percent of the supervisory examiner workforce and nearly 50 percent of the executive level

workforce will be eligible to retire between 2005 and 2010. The anticipated executive level and supervisory level retirements provide an excellent opportunity to reassess NCUA's structure; with a focus on ensuring the agency is citizen-centered as directed by the President's Management Agenda. Implementation of the results of this reassessment began in 2002 and will continue over the next several years. This assessment will include a determination of the necessary and appropriate number of executive and supervisory staff, and the number and location of regional offices.

To assure a continuing source of highly qualified leaders, NCUA has developed its management and executive development efforts with in-house programs targeted at NCUA employees currently at the CU-13 through CU-16 levels.

At the staff level, retention is steady at a high 94 percent fill-rate due to recruitment and retention programs. The fill-rate is also influenced by planned staff reductions in 2002. These recruitment programs will enable NCUA to maintain a steady influx of candidates for the primary agency occupation, the credit union examiner, with minimal disruptions as workforce losses occur due to retirements and other causes.



*Skills Evaluation.* During 2001, we performed a skills evaluation of our largest and most critical occupation, credit union examiners. This workforce analysis included a comprehensive survey of 461 examiners. The objective of the survey was to determine the appropriate level of training, education, and experience needed to perform the work requirements essential to the examiner's job.

The survey data support multiple human resource purposes, including the development of recruitment, staffing, training, and performance management mechanisms needed to assure examiners have the skills needed to achieve the agency's strategic goals. Analyses of other critical NCUA occupations, such as supervisory examiner, will follow the examiner workforce analysis.

*Skills Vital to Goal Accomplishment.* The examiners' technical, communication, and customer service skills are all vital to the accomplishment of NCUA's federal insurance mission. They are also essential in assisting credit unions in promoting thrift among members and creating a source of credit for provident or productive purposes, to all who seek such service, while encouraging and recognizing their historical emphasis on serving those of modest means.

As the primary representative of NCUA, the examiner independently applies discretion and judgment concerning the safety and soundness of the credit union based on its financial (management) systems and practices, credit union staff and volunteer interaction, and assessments of its relative financial condition. This regulatory, supervisory, and mentoring provides a direct service to the customer (industry). It fosters the continued safety and soundness of federally insured credit unions and protects the National Credit Union Share Insurance Fund (NCUSIF).

This "hands on" approach is even more critical to smaller credit unions that, in many instances, serve a less affluent population or are located in underserved areas. The infrequent and relatively small losses to the NCUSIF and the overall integrity of the credit union system result, in part, from a highly educated and trained examiner force. Large, complex credit unions make up 80 percent of credit union assets and only 20 percent of the total number of credit unions. They require NCUA staff to be diligent in their supervision skills to identify risk on a forward-looking basis. In 2002, NCUA implemented a Risk-Focused Examination process, which will further enhance credit union examiners' effectiveness.



**NCUA Response:**

**Program Impact.** In August 2002, all NCUA examiners received training on the new Risk-Focused Examination process. This risk-based approach expands the decision-making authority to lower contact point levels. The process includes risk-based reviews and educational programs for enhancing the knowledge of field examiners in specialized fields such as information systems and technology, asset liability management, specialized lending, and other changing fields. The flexible scope examination, for example, allows examiners to opt for more frequent supervision contacts of a shorter duration rather than an annual examination as was required prior to 2002. This new flexibility allows the examiner, the first contact point with credit unions, to make important decisions concerning the safety and soundness of each credit union.

**Full Time Equivalent Personnel Decreases.** Flexible scope and risk-based supervision, coupled with an expansion of the examination cycle, reduce the number of full time equivalent personnel required for the examination and supervision of credit unions. From 2000 to 2002, NCUA's staffing budget decreased 5.1 percent. This trend is expected to continue in 2003. Additionally, these new initiatives will enhance the quality of service provided to credit unions and provide more resources to those

credit unions posing the greatest risk to the National Credit Union Share Insurance Fund.

Risk-based scheduling will allow examiners to adjust the frequency of their supervision contacts in response to the potential risk of the credit union's financial situation. Time consuming transactional analysis will, in many cases, be replaced with time spent more prudently assisting credit unions with improving management practices, enhancing financial services, addressing operational problems, and minimizing future risks.

**Occupational/Skill Changes.** As a result of the new focus on flexible scope and risk-based supervision of credit unions, the knowledge, skill, and ability requirements for examiners are changing. Some examiners will need to develop a focused skill in at least one complex risk area in addition to the broader examination knowledge currently required. These analytical skills will become even more important for examiners in supervising credit unions that are expanding the array of financial services and delivery systems provided for their members.

**Recruitment.** NCUA developed and implemented a state-of-the-art recruitment campaign to effectively recruit and retain hard-to-fill examiner positions. The result is a 94 percent fill-rate for these positions. An agency-wide recruitment committee composed of



supervisory examiners and staff from the Office of Human Resources and the Equal Employment Opportunity Programs Office is key to the accomplishment of this fill-rate. The recruitment committee developed and carried out a nationwide recruitment plan supplemented by regional office plans that included web-based “electronic recruiting,” for general recruiting and targeted diversity recruiting through advertisements in appropriate publications and visits to colleges and job fairs. At colleges and job fairs, staff used a state-of-the-art video, pamphlets, handouts, and a portable booth to highlight the importance of the examiners’ work and the inherent rewards of public service at NCUA.

NCUA’s priority goal has been to improve the flexibility and responsiveness of the internal and external hiring process. Success in achieving this goal in 2001 and 2002 include the issuance of a more flexible merit promotion plan, implementation of a simplified merit promotion process for hard to fill positions, and changes to the hiring process for examiners to further improve the quality of examiner recruits. These changes include a recently implemented structured interview and writing sample, upcoming revisions to the current qualification standard, and evaluation of training and experience based on the results of NCUA’s occupational analysis of examiner positions.

***Training.*** Employee training and continuing education are high priorities for NCUA. Most recent initiatives of the agency are targeted at meeting the skill requirements of this plan. For example, a needs survey and occupational analysis will be conducted to identify any potential examiner workforce and individual examiner skill gaps.

NCUA is currently conducting a formal review of its training delivery processes, as well as the content of training requirements, to meet future needs. Future training plans for examiners are likely to include new computer-based delivery methods, as well as traditional face-to-face training, as technology and resources for making these choices becomes available. Various training delivery methods will be used to the extent they enhance the effectiveness and efficiency of the learning experience in each subject area at a reasonable cost to the agency.

***Retention.*** NCUA has been successful in retaining a very high percentage of employees over the last three years due to the quality of its retention incentives. Although the accountancy skills possessed by most NCUA employees are in high demand, the agency’s average vacancy rate over the last two years has remained low. In addition to appreciating the importance of NCUA’s mission, employees’ long-term career interest in NCUA has been enhanced by the



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variety of the cutting edge employment practices described above.



## Human Capital Strategic Goals

### Human Capital Program Activity

Support of Safety and Soundness Mission:

- Agency Program Alignment
- Recruitment and Retention
- Leadership
- Performance Culture
- Continuous Learning
- 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).

#### Strategic Goal #1

Align human capital policies with strategic goals.

#### Outcome Goal

1.1: Align NCUA's human capital policies to support accomplishment of its mission, vision, goals and strategies.

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>	Note: Only changes to the base year 2003 are annotated in 2003-2008
➤ 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



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

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.

<b>Annual Performance Goal 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>
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.



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.

<b>Annual Performance Goal 3.1</b>	
➤ 2003	3.1a: Ensure agency recruits, develops, and retains high performing leaders. 3.1b: Ensure agency leaders create high levels of motivation and commitment in the workforce. 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>
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.

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.



<b>Annual Performance Goal 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.

#### Strategic Goal #5

Create and promote an agency culture of continuous learning (knowledge management).

#### Outcome Goal

5.1: Ensure agency promotes a knowledge-sharing culture in a climate of fairness, openness, and continuous learning and improvement.

#### 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.



## NCUA Strategic Plan 2003-2008

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)

<b>Annual Performance Goal 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.



## Append D: Information Technology Resource Management Plan (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 Used:***

<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.



*Video Conferencing System.* The Video Conferencing System connects the six regional offices and the Central Office using an Internet Protocol based video conferencing 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 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 is 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 offsite 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 enhanced Internet connectivity, 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 E – 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 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 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 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 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 employ 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 F – Contingency Planning**

In the aftermath of September 11, 2001, much attention has been focused on contingency planning. This crisis has had a profound effect upon how businesses think about and plan for previously unthinkable situations that could have significant impact upon their operations. The Federal Government is committed to ensuring that the financial services system will be able to continue to operate under crisis conditions. NCUA implemented continuity of operations planning and encourages all credit unions to assess, improve, and enhance their contingency operations capability.

Appendix F, Continuity of Operations Planning, looks at how NCUA assesses and mitigates event risk and how NCUA evaluates its programs for mission impact. This appendix also addresses the requirements of The President's Management Agenda, the Government Information Security Reform Act, and recent guidance from the Office of Management and Budget. The concepts, ideas

and elements expressed herein are intended for NCUA internal use only and do not address individual credit union contingency planning efforts, which should be based upon their own needs and requirements.

NCUA's approach to Continuity Planning is based on the concept that the most effective management of a crisis situation occurs when it is detected and dealt with quickly.

### **Mission**

*Minimize the impact of any potential disruption to agency operations while continuing to carry out its mission. NCUA accomplishes this by identifying those functions and/or processes that are critical to its operations and develops plans to deal with the potential failure of one or more of them.*



## **Contingency Planning Strategic Goals**

### **Strategic Goal #1**

Ensure NCUA management has the ability to assess, direct and manage the potential impact on operations during crisis situations.

#### **Objective**

This goal deals with the element of Situation Management. This is the development and communication of management actions to staff and the training of staff to handle these actions during a crisis. The ability of senior management to assess and manage a crisis is often the single most important aspect of minimizing the impact of the crisis to the organization.

#### **Outcome Goal**

Effectively manage NCUA operations while minimizing the impact of any potential crisis situation.

#### Means and Strategies:

1. Identify, train and maintain an effective crisis management team.
2. Identify and prioritize potential crisis scenarios.
3. Prioritize overall agency operations and allocate resources appropriately during a crisis.
4. Provide oversight of the development, testing, and distribution of crisis response plans.
5. Review, update and enhance crisis response plans.

### **Strategic Goal #2**

Ensure NCUA has the capability to continue critical operations in crisis situations.

#### **Objective**

This goal addresses Continuity of Operations. While no one can think of or plan for all possible options, it is possible to identify those critical elements needed to sustain operations. It is these critical elements that NCUA must focus on during a crisis.

#### **Outcome Goal**

Create and maintain an effective operational structure to ensure the continuity of operations.

#### Means and Strategies:

1. Assess potential crisis situations for the potential impact on program operations.
2. Identify critical program and operational systems.
3. Assess critical systems for their potential impact on the continuity of operations and prioritize based on impact (e.g., allowable down time).
4. Develop means to overcome material program and operations impact of a crisis situation.



5. Prioritize program operations and allocate resources appropriately during a crisis situation.
6. Protect the operational integrity of the control structure during a crisis situation.
7. Develop continuity of operations / crisis response plans for critical systems.
8. Train and exercise staff in the execution of continuity of operations / crisis response plans.

**Strategic Goal #3**

Ensure the security of NCUA's Physical, Human Capital and Information Technology assets.

**Objective**

This goal addresses the various aspects of security for NCUA's assets.

**Outcome Goal**

Protect NCUA's Physical, Human Capital and Information Technology assets during a crisis situation.

Means and Strategies:

1. Identify NCUA's critical facilities and equipment, human capital and information technology assets.
2. Assess critical assets for potential internal and external threats.
3. Assess critical systems to identify external factors that affect NCUA's ability to protect critical assets.
4. Develop options to protect critical assets during a crisis.
5. Develop options for system maintenance and backup capability during a crisis.
6. Prioritize critical facilities and equipment, human capital, and information technology assets in order to allocate resources during a crisis.
7. Test agency-wide plans to protect critical assets, both physical and electronic, during a crisis.
8. Train NCUA and SSA employees on the appropriate aspects of the Government Information Security Reform Act.

**Strategic Goal #4**

Ensure NCUA has an effective, secure and sustainable communications network during a crisis situation.

**Objective**

This goal addresses Crisis Communication. NCUA must be prepared to provide effective communications to its staff, other Federal and state agencies, the credit union community and the general public during a crisis.

**Outcome Goal**

Maintain the integrity and function of NCUA's communication network during a crisis.



Means and Strategies:

1. Identify critical agency communication needs.
2. Identify NCUA's critical communications systems (facilities, equipment, and/or personnel).
3. Assess critical communications systems for potential internal and external threats.
4. Assess communication systems to identify external factors that affect NCUA's ability to protect them.
5. Develop options to protect communications systems to sustain operations during a crisis.
6. Develop options for communication system maintenance and backup capability during a crisis.
7. Develop means to overcome material communication shortcomings during a crisis.
8. Prioritize communications assets and allocate resources during a crisis situation.
9. Identify stakeholder communication needs during a crisis situation.
10. Develop and maintain an effective public affairs and media communications plan for use during a crisis situation.
11. Test agency-wide communication systems as part of the continuity of operations plan.



## Part Three – Epilogue

### X. 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.