

OFFICE OF
INSPECTOR GENERAL

Audit Report

Human Capital Planning at the
Farm Credit Administration
A-15-03

Auditor-in-Charge
Sonya Cerne

Issued February 29, 2016



FARM CREDIT ADMINISTRATION



February 29, 2016

The Honorable Kenneth A. Spearman, Board Chairman
The Honorable Dallas P. Tonsager, Board Member
The Honorable Jeffery S. Hall, Board Member
Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102-5090

Dear Board Chairman Spearman and FCA Board Members Tonsager and Hall:

The Office of Inspector General (OIG) completed an audit of Human Capital Planning at the Farm Credit Administration (FCA or Agency). The objectives of this audit were to assess the adequacy of the Agency's human capital planning and the effectiveness of its implementation.

We found the Agency has an adequate human capital planning process. FCA has a Human Capital Plan for FY 2014-2018 in place and a new plan is being prepared. FCA has a process to identify key person dependencies and plans for future needs of the Agency. FCA also has an equal employment opportunity and inclusion (EEOI) program that includes written policies and procedures and an EEOI element on all employees' performance evaluations.

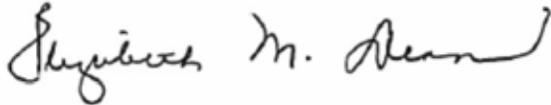
We identified opportunities to improve or modify human capital planning and implementation. In response to our audit, OMS agreed to the following actions:

1. Formalize the human capital planning process by:
 - identifying membership (positions) of the Human Capital governance body,
 - scheduling reviews of the Human Capital Plan objectives, and
 - monitoring and tracking progress toward meeting human capital goals.
2. Track data on succession planning efforts. Document the strategies to mitigate the risks. Monitor and follow-up to capture and utilize results.
3. Assess organizational leadership and development programs and modify to promote, enhance, and improve initiatives within the Agency.
4. Coordinate and revise the network distribution list for FCA job announcements.

5. Increase coordination between OMS and EEOI on special emphasis programs and outreach.
6. Implement a plan to improve the exit interview process and disperse exit interview data to gather consistent, useful information for comparison and trends.
7. Consider a veterans' representative for Agency veteran efforts.
8. Provide training to all personnel involved in the recruiting and hiring process on potential biases and barriers to employment.
9. Conduct an assessment of FCA hiring practices to identify potential barriers and areas of improvement.
10. Establish a policy that includes the plan for requesting and analyzing applicant flow data for FCA job announcements.
11. Conduct a survey, or use other information-gathering tools, to gather additional targeted information on workplace diversity and inclusion.

We appreciate the courtesies and professionalism extended by FCA personnel to the OIG staff. If you have any questions about this audit, I would be pleased to meet with you at your convenience.

Respectfully,

A handwritten signature in black ink that reads "Elizabeth M. Dean". The signature is written in a cursive style with a large initial 'E' and a long, sweeping underline.

Elizabeth M. Dean
Inspector General

Enclosure



EXECUTIVE SUMMARY

A-15-03

RESULTS

We found the Agency has an adequate human capital planning process. FCA has a Human Capital Plan for FY 2014-2018 in place and a new plan is being prepared.

Regarding succession planning, FCA has a process to identify key person dependencies and plans for future needs of the Agency. There is also a training program for personnel who are responsible for recruiting examiner and intern positions for the Office of Examination, the most prominent career path within FCA. Finally, with respect to diversity and inclusion, FCA has an equal employment opportunity and inclusion (EEOI) program. The EEOI Director reports directly to the FCA Board Chairman, and there are written policies and procedures. All employees are accountable for supporting EEOI, in part, by being evaluated on EEOI in their performance evaluations.

We identified a few opportunities, however, to improve or modify human capital planning and implementation.

- Several key positions in the Agency were not identified in the human capital planning request.
- Efforts to address the gap in mid-career experience levels and track progress in doing so could increase effectiveness.
- Developmental and training programs could be enhanced.
- The Agency's workforce diversity and inclusion efforts could be improved through outreach efforts, increased coordination, and data collection and analysis efforts.

AUDIT OF HUMAN CAPITAL PLANNING AT THE FARM CREDIT ADMINISTRATION

The objectives of the audit were to assess the adequacy of the Agency's human capital planning and the effectiveness of its implementation.

The Agency agreed to implement 11 agreed-upon actions to improve the human capital planning process in response to our audit:

1. Formalize the human capital planning process.
2. Track data on succession planning efforts. Document the strategies to mitigate the risks. Monitor and follow-up to capture and utilize results.
3. Assess organizational leadership and development programs and modify to promote, enhance, and improve initiatives within the Agency.
4. Coordinate and revise the network distribution list for FCA job announcements.
5. Increase coordination between OMS and EEOI on special emphasis programs and outreach.
6. Implement a plan to improve the exit interview process and disperse exit interview data to gather consistent, useful information for comparison and trends.
7. Consider a veterans' representative for Agency veteran efforts.
8. Provide training to all personnel involved in the recruiting and hiring process on potential biases and barriers to employment.
9. Conduct an assessment of FCA hiring practices to identify potential barriers and areas of improvement.
10. Establish a policy that includes the plan for requesting and analyzing applicant flow data for FCA job announcements.
11. Conduct a survey, or use other information-gathering tools, to gather additional targeted information on workplace diversity and inclusion.

The Office of Management Services agreed with the report and provided specific tasks to be completed to strengthen FCA's human capital planning and implementation. These tasks included documenting processes and strategies and increasing coordination. The Agency stated it would also implement new initiatives and policies in response to our report.

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BACKGROUND

The Farm Credit Administration (FCA or Agency) is an independent agency in the Executive Branch of the U.S. Government. The mission of the FCA is to promote a safe, sound and dependable source of credit for agriculture and rural America. FCA is responsible for regulating and examining the Farm Credit System and the Federal Agricultural Mortgage Corporation, the nation's two agricultural government-sponsored enterprises.

FCA's policy, regulatory agenda, and supervisory and examination activities are established by a full-time, three-person Board whose members are appointed by the President of the United States. The President designates one member as Chairman of the Board. The Chairman also serves as FCA's Chief Executive Officer.

In order to accomplish the mission, it is essential for FCA to ensure it has the right people with the right skills. FCA's most valuable asset is its employees. Human capital planning is, therefore, imperative for the Agency.

The Office of Management Services (OMS) is responsible for managing and delivering human capital services and coordinating human capital planning efforts. The Office of Equal Employment Opportunity and Inclusion (EEOI) manages and directs the Agency-wide diversity, inclusion, and equal employment opportunity program.

Historically, the annual Human Capital Plan covers the subsequent five year period. FCA's current Human Capital Plan covers FY 2014-2018, which has a primary purpose to identify future workforce needs. It states:

- The Agency conducted a human capital assessment and established strategic initiatives to identify and address workforce gaps and challenges.
- Each office within FCA is responsible for addressing actions established by the strategic initiatives.
- The Agency has a Human Capital Steering Committee comprised of the Chief Operating Officer, Office Directors, and the Chief Human Capital Officer. This Committee helps lead the human capital process within the Agency, determines the formal process for improvements, and monitors progress.

In the Human Capital Plan, the Agency identified the following gaps/challenges and the associated strategic initiatives:

GAP/ CHALLENGE 1: Key-Person Dependency	•Strategic Initiative: Identify positions in which risk of key-person dependency (KPD) exists and ensure that plans are sufficient to build bench strength and manage succession for these positions.
GAP/ CHALLENGE 2: Employee Turnover	•Strategic Initiative: Meet projected staffing needs through aggressive hiring.
GAP/ CHALLENGE 3: Competencies	•Strategic Initiative: Continue training programs and strategies to increase technical competencies of employees, with greater emphasis on technology skills.
GAP/ CHALLENGE 4: Employee Engagement	•Strategic Initiative: Continue to create opportunities for employees to become more engaged with their work.
GAP/ CHALLENGE 5: Diversity and Inclusion	•Strategic Initiative: Continue increasing workplace diversity and promoting inclusion.

A new Human Capital Plan is being prepared. A human capital call for information to all Office Directors was requested in April 2015.

We considered diversity and inclusion as part of the audit due, in part, to Congressional interest. In March 2014, the Committee on Financial Services, U.S. House of Representatives, issued letters to Inspectors General requesting reviews to determine whether any personnel practices created a discriminatory workplace or otherwise systemically disadvantaged minorities from obtaining senior management positions at the following agencies:

- Federal Deposit Insurance Corporation,
- Department of the Treasury,
- Federal Housing Finance Agency,
- National Credit Union Administration,
- Board of Governors of the Federal Reserve System, and
- U.S. Securities and Exchange Commission.

The letters asked the Inspectors General to examine:

- employee complaints,
- workplace policies and findings from satisfaction surveys,
- individuals or groups that exhibited discriminatory behaviors or patterns,
- agency minority and women inclusion offices, and
- employee compensation, rating systems, retention, and promotion of women and minorities.

The letters were issued in response to a 2013 Government Accountability Office report, *Trends and Practices in the Financial Industry and Agencies after the Recent Financial Crisis*. The GAO review found improvements were still needed in overall workplace diversity even after the requirements of the Dodd-Frank Wall Street and Consumer Protection Act. While the Farm Credit Administration OIG was not included in the request letters, we included workplace diversity and inclusion efforts at FCA as part of this audit.

Prior Reviews

We have performed multiple prior reviews related to human capital:

- *Human Capital: Job Classification* (A-04-01, June 29, 2004)
- *Performance Management and Internal Control Program* (A-05-02, July 1, 2005)
- *Records Management and Preservation of Institutional Knowledge* (A-05-03, February 21, 2006)
- *Affirmative Employment Program Action Plan* (I-01-03, May 23, 2001)

AUDIT RESULTS

The objectives of this audit were to assess the adequacy of the Agency's human capital planning and the effectiveness of its implementation.

We specifically focused on three areas of human capital planning:

- key person dependencies and succession planning,
- employee hiring and separation, and
- workplace diversity and inclusion.

In April 2015, the OMS Director issued the planning call for human capital for fiscal years (FY) 2016-2020. Each office was requested to provide data in the following areas: Key Person Dependency Risk; Competencies; Office Needs, Duties, Processes, and Workload; Primary Challenges/Strategies; and Employee Engagement.

We found that overall, the FCA has an adequate human capital strategy; however, opportunities to improve the human capital plan implementation and processes are discussed below.

Succession Planning and Knowledge Management

Key Person Dependencies

FCA has a process to identify key person dependencies (KPD) and plan for future needs of the Agency. As part of the human capital process, FCA Office Directors were asked to identify the positions in their office where there would be risk to the Agency if there was no substitute. They were also asked to describe their plan of action to ensure succession, thereby mitigating this risk. Although Office Directors identified 30 positions as KPDs across six offices, several key positions in the Agency were not identified in the human capital responses. Such positions included the:

- Chief Operating Officer,
- Chief Examiner,
- Director of the Office of Secondary Market Oversight, and
- Director of the Office of Regulatory Policy.

While these seemingly mission critical positions have competent staffs, the Chief Operating Officer and Office Directors are leaders and notably, the decision-makers in specialized subject matter areas. They maintain and change significant business processes essential to FCA. Not identifying these positions may represent a gap in the KPD identification process.

Office Directors submitted plans of action for KPDs identified during the human capital planning call. These actions included developing additional staff, hiring contractor help, recruiting, and documenting policies and procedures. In order to gain a broader perspective from the employees, we also interviewed 7 of the 30 KPD employees identified by Office Directors. We asked questions related to: their current position, people trained to take over their main roles, backups, and other succession planning efforts. The following information is summarized from those interviews:

- Three of the seven individuals stated there are currently no other people trained to perform their roles.
- Four of the seven individuals stated the Agency has done an effective job at succession planning for their positions; one stated he/she was unsure; and two disagreed.
- All seven of the individuals stated their knowledge management and sharing included: written policies, procedures, or documentation; training other individuals; or a combination of both.

The Agency has already identified key person dependency as a gap/challenge in the Human Capital Plan. The plan states, “unusually high retirement rates and turnover have increased key person dependencies and created challenges for succession.” The plan also noted that most offices have employees who

KPD Definition: “Key personnel are employees who are critical to the success of the agency. If key personnel have roles that are not easily filled and bench strength is insufficient to fill these roles, then a KPD exists, and business continuity and the successful accomplishment of the agency’s mission may be at risk. KPDs typically exist where employees possess unique leadership or subject-matter expertise that is not easily transferable, make decisions that directly affect the success of the Agency, and may possess significant tenure and institutional memory. KPDs are usually associated with mission-critical positions, but they may also involve positions that provide essential specialized support.”

**FCA Human Capital Plan
2014-2018**

serve in unique and critical leadership positions or have unique skills that would be difficult to replace. The Agency should ensure KPDs are identified to ensure business continuity, knowledge retention, and succession planning.

While Office Directors are responsible for identifying KPDs and preparing action plans for KPDs within their respective office, the Agency's Human Capital Steering Committee is designated in the Human Capital Plan to:

- lead the human capital process within the Agency,
- determine the formal process for improvements, and
- monitor progress.

Currently, the Human Capital Steering Committee meets on an ad-hoc basis. Because of the informal nature and lack of a charter, the Committee is considered more of a group or governance body. There may be added benefit to giving the Committee more priority and formalization. The group should ensure Human Capital Plans identify and address KPDs and include risk mitigation strategies for those positions identified to ensure continuity within the Agency. This could strengthen the human capital targets and impact.

Agreed-Upon Action 1

In order to improve the human capital process at FCA, OMS agreed to:

1. Formalize the human capital planning process by:
 - a. identifying membership (positions) of the Human Capital governance body,
 - b. scheduling reviews of the Human Capital Plan objectives, and
 - c. monitoring and tracking progress toward meeting human capital goals.

OMS stated the Agency would complete a charter or policy/directive documenting the human capital planning process including the items listed above.

Succession Planning

Shortcomings in KPDs are, in part, mitigated through increasing bench strength, ensuring there are employees that could take over the positions. FCA has a challenge in succession planning given the current workforce statistics.

FCA had 311 employees as of July 2015 (including Board members and interns). OE accounts for the majority of positions and, therefore, hiring at FCA. Specifically, 192 of FCA employees were examiners and staff in the Office of Examination (OE), responsible for the examination and supervision of the Farm Credit System.

Like other segments of the Federal Government and the U.S. workforce, FCA faces an overarching challenge, in planning for overcoming the amount of retirement eligibilities in the workforce. Based on information provided by FCA's Office of Management Services (OMS), about 37 percent of FCA's workforce is retirement eligible or will be eligible to retire, in the next five years. This workforce predicament places additional emphasis on the need to train and develop staff.

The FCA workforce can be broken down into three distinct categories in terms of retirement eligibilities: less than 10 years, 10-20 years, and more than 20 years until retirement. Data from OMS shows the Agency has a disproportionately low percentage of individuals at the Agency who are 10-20 years from retirement. While this may not impact FCA in the near future, it does show the uneven distribution of staff in the workforce and potential gaps in workforce readiness. The data shows 56 percent of FCA's workforce has less than 10 years before retirement eligibility; only 11 percent of the workforce is in the 10-20 year window; and 33 percent are more than 20 years from retirement. In addition to the large retirement-eligible percentage, there may also be shortcomings in personnel with enough experience to replace those with less than 10 years until retirement eligibility.

In August 2015, a new recruiting committee was formed. In an FCA Board meeting, the committee stated its purpose is to:

- coordinate recruiting efforts,
- identify and implement best practices,
- cultivate relationships,
- broaden diversity in the applicant pool, and
- increase visibility and awareness of FCA.

One area of focus for the recruiting committee is to assess ways to create more awareness of FCA with mid-career hires. To increase the effectiveness of recruiting mid-career professionals, FCA could benefit from formalizing approaches and monitoring the results and outcomes of its goals.

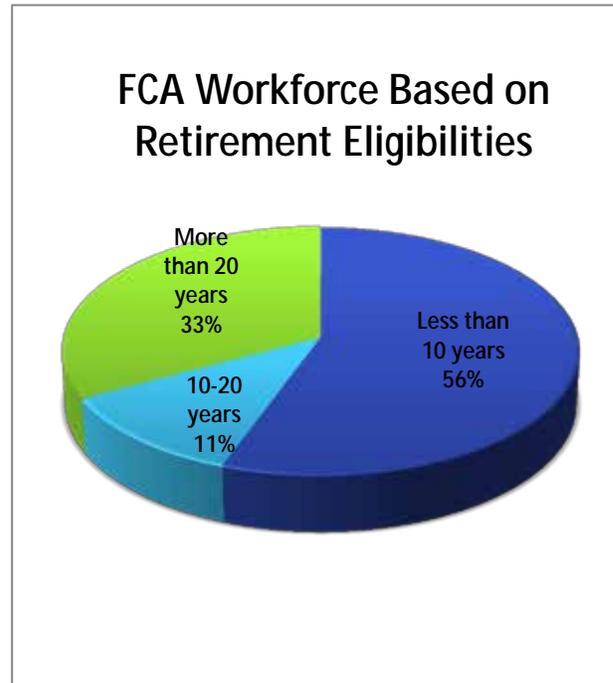
FCA stated in the 2014-2018 Human Capital Plan that it was "taking several measures to mitigate KPD risk such as cross-training, external hiring, and creating pools of management and leadership talent." However, in order for the action plan to be effective, FCA needs to specify and also monitor the progress of the actions on a regular basis. For example, the Agency stated cross-training was a measure to mitigate KPD risk. The plan also stated it "may establish more robust processes for transferring knowledge from employees who are near retirement to other employees." To understand the progress made, the Agency could gather quantitative and/or qualitative data to measure progress. For example, gather information on how many cross training efforts take place; how many leadership development programs were completed; or how many external hires were realized.

Agreed-Upon Action 2

In order to improve succession planning, OMS agreed to:

2. Track data on succession planning efforts. Document the strategies to mitigate the risks. Monitor and follow-up to capture and utilize results.

OMS stated it would determine the best way to track FCA's succession planning efforts and document the strategies to mitigate risks, monitor progress, and capture results.



Development and Training Programs

The Agency continues to have opportunities to develop newly hired personnel and emerging leaders. Currently, a few FCA personnel are selected for leadership and training programs. An analysis of FCA's leadership development programs revealed many staff did not apply for these opportunities and FCA did not use all leadership tools available.

According to data provided by OMS from the FCA FedHR Navigator system, FCA developed four announcements for leadership/training programs for FYs 2012-2015, three for the Office of Examination Leadership Development Program, and one for the Upward Mobility Program. We found these programs were not being fully utilized by staff as a development path. In total, only nine people applied to the four announcements; for three of the programs, only one person applied for the position. Eight were designated as qualified and five were selected, although three of those individuals were selected for one of the announcements.

Due the specialization of the programs, many employees were not eligible to apply for these programs. For example, the OE Leadership Development Program was only available to OE commissioned examiners at the VH-38/39 level. Also, the Upward Mobility Program was announced only at the VH 30-35 level. Recognizing there are on-the-job and external opportunities for training and development, further exploration of the need for adding emerging leadership opportunities for a wider scope of employees would be informative, as would examining reasons why so few applied to the programs in the past.

In addition, FCA is not utilizing other development/training programs described in:

- PPM 853, *Supervisory Development Program*, states a career opportunity announcement would be issued annually at the beginning of the fiscal year and remain open for a minimum of six weeks. According to the vacancy announcement log provided by Human Resources, FCA has not issued this announcement in FYs 2012-2015.
- PPM 854, *Mentoring Program*, states OMS will issue an opportunity announcement for the mentoring program. FCA has not issued this announcement in FYs 2012-2015.

Agreed-Upon Action 3

In order to improve the effectiveness of leadership and development programs, OMS agreed to:

3. Assess organizational leadership and development programs and modify to promote, enhance, and improve initiatives within the Agency.

OMS stated it would review current programs related to leadership development and determine what if any changes need to be made.

Employee Hiring and Separations

Each month, OMS informs management and personnel of current staffing levels compared to the previous five years. These monthly status reports also show accessions, promotions, separations, and staffing actions. In order to examine hiring and separations, we requested hiring and separation data

from FY 2010 through June 30, 2015. We separated the data into two different categories: interns and non-interns. The data showed:

- FCA hired 138 non-intern employees
- 142 non-intern employees separated from the Agency
- 70 interns were hired

We examined this data in the context of diversity in hiring, as well as the impact of exit interviews in the context of separations.

Hiring

With respect to hiring, FCA provides training to personnel to recruit examiners and interns for OE. This training includes instruction on how to promote the Agency to potential candidates, as well as details on the recruiting process. FCA has also launched a new recruiting committee to aid in developing recruiting initiatives.

As part of an outreach effort for hiring, OMS implemented a new process attempting to enhance diversity in the hiring pool. FCA sends job announcements to emphasis groups identified by the Office of Personnel Management (OPM). The desired outcome aims at establishing a network of partners and organizations. FCA began issuing its announcements to several groups from the OPM list and created a distribution network list where the FCA job announcements would go out to the points of contact on the list. FCA's distribution list contains three emphasis groups:

- Asian Americans,
- Indian Americans, and
- Lesbian, Gay, Bisexual, and Transgender.

FCA's list identified business groups such as the National Association of Asian MBAs and the Native American Finance Officer Association. However, from these three groups identified above, 26 of the 94 points of contact on the list pose a challenge in deciphering relevancy to FCA jobs. For example, there were eight points of contact for medical professionals, 16 points of contact for law enforcement groups, and two for educational groups. It appears there is an opportunity to review pertinent points of contact and to expand the list to additional points of contact and relevant areas for FCA jobs and skillsets.

Additionally, the EEOI Director stated FCA's Special Emphasis Program managers each have their own network lists and reach out to their groups with job announcements. However, there appeared to be no coordination between the special emphasis lists and process and the new network list. Increased coordination and revision of the distribution list may increase the effectiveness of the outreach methods, and potentially increase diversity in the pool of applicants. Further, additional coordination between EEOI and OMS personnel may increase the effectiveness of overall human capital efforts.

Separations

We also examined staffing data for separating employees. Between FY 2010 and June 30, 2015, FCA had 142 employees separate from the Agency (excluding interns). FCA has a policy aimed at gathering information from exiting employees and maintains an exit questionnaire database with detailed questions.

The exit questionnaire asks for answers that potentially bring forth valuable information, such as:

- What the person will be doing when they leave (retiring, other Federal agency, private sector)
- Factors influencing their decision to leave
- Opportunities and benefits available at gaining organizations
- Supervision and recognition at FCA

FCA's PPM 834, *Exit Procedures*, states an employee who is leaving the Agency will "complete and submit an electronic exit questionnaire." OMS is required to, "ensure an electronic employee exit questionnaire is provided to each employee upon notification of his/her intent to separate from the Agency" and "ensure that all necessary clearances are obtained on the Form 302 (Employee Checkout Record)". The Employee Checkout Record includes an exit interview with each separating employee.

We found the Agency is not using separation information to the greatest extent possible.

- Summaries from the questionnaire responses combine all responses and contain duplicates, making it difficult to analyze annual results. Improvements to the database to eliminate duplicates and separate the data by years would provide a more reliable and useful summary of the data.
- OMS was not able to provide the verification that five of the eight separations sampled were handled in accordance with PPM 834.
- There was confusion on the exit interview process with regard to who was performing the interview and how the process worked.
- Exit interviews were inconsistent. Based on summaries provided by OMS, basic information was captured such as likes and dislikes about positions, but lacked consistent questions. Although the interviews are a fundamental way to capture information, inconsistent questions do not afford the effective trending of the data.
- There is currently no process to disseminate the results of the exit interviews or questionnaire results. The information could provide affirmation of effectiveness of FCA operations. It could likewise be used as a tool in developing strategic and operating plans.

With accurate and consistent methods to collect, analyze, and distribute the information collected from exiting employees, the data would potentially have greater use for planning.

Agreed-Upon Actions 4-6

In order to improve the hiring and attrition process, OMS, in coordination with the EEOI Director, agreed to:

4. Coordinate and revise the network distribution list for FCA job announcements.
5. Increase coordination between OMS and EEOI on special emphasis programs and outreach.
6. Implement a plan to improve the exit interview process and disperse exit interview data to gather consistent, useful information for comparison and trends.

OMS stated it would coordinate with the EEOI Director to update the network distribution list for FCA job announcements and increase coordination on special emphasis programs and outreach. OMS stated it would also develop a process to improve the exit interview process and gather the information for analysis and reporting, where appropriate.

Workplace Diversity and Inclusion

FCA has an Equal Employment Opportunity and Inclusion (EEOI) program. FCA has an EEOI Director who reports directly to the FCA Chairman of the Board. Written policy statements, policies and procedures, and a performance element in every employee's performance plan relating to EEO and diversity, are components of the EEOI Program.

The Agency also has five special emphasis programs led by FCA employees under the direction of the EEOI Director in the following areas:

- Blacks in Government
- Federal Women's Program
- Hispanic Organization for Leadership and Advancement
- Persons with Disabilities Program
- Asian American and Pacific Islander Program

Although the Agency voices a desire to improve diversity and become more inclusive, improvements can be made. We identified several opportunities for improvement in FCA's human capital efforts to promote increased diversity and inclusion in the workplace.

FCA's overall percentages of veteran, female, and minority representation have been decreasing over the last few years. Our review of data provided by OMS shows that FCA hired 138 non-intern employees for the FY 2010-June 2015 period. The hiring included a 38 percent female representation and 24 percent minority representation. OE accounted for 58 percent of the total hiring, with a 29 percent female representation and 15 percent minority representation. Overall, 28 veterans were hired.

FCA hired 70 interns for the same period with a 44 percent female representation and 34 percent minority representation. OE accounted for 80 percent of the intern hires. The data showed no veterans were hired as interns.

We also reviewed historical information, current FCA data, and various reports to compile statistics for veteran, females, and minority representation at FCA from 2010 through June 2015. We found the following:

- For veterans' representation, FCA made improvements from 2010 to 2012 and increased the representation from 7.7 percent to 12.9 percent. However, there has since been a decrease to 11.37 percent as of June 2015.
- For female representation, there was an increase from 2010 to 2011 from 41.46 percent to 43.43 percent, but a decrease from 2011 to 2015 to 40.8 percent.
- For minority representation, there was an increase from 2010 to 2012 from 19.16 percent to 22.19 percent and then a decrease from 2012 to 2015 to 21.07 percent.

Due to the relatively small numbers of employees in the FCA universe, FCA's statistics can fluctuate with just one or two employee changes in representation. For example, the percentage of minority representation declined in 2015 even though there was one more minority within FCA. The decrease in overall representation was due to the increased number of hires with less minority representation. The data shows the same for female representation. There were four more females overall in 2015; however, the overall percentage declined because of the additional hires and the effect on the percentage of representation. Despite these fluctuations, hiring data and overall representations show areas of opportunity for minority and female representation at FCA.

Another potential area of improvement is veteran representation. FCA utilizes the Federal Pathways Program for hiring interns. This program was initiated by the President, in part, to preserve Veterans' Preference rights. FCA reported in its 2014 Disabled Veterans Affirmative Action Program Report that half of the Agency's veteran employees were eligible to retire over the next four years. This increases the need for the Agency to focus on veteran hiring. As noted above, there were no veteran hires in FCA's intern program. Also, while FCA has various special emphasis programs, there is no veterans' representative or point of contact for recruitment of veterans within the Agency.

Applicant Data Collection

Applicant flow data is another factor that impacts diversity and inclusion efforts and therefore should be evaluated in the context of human capital planning. Applicant flow data is demographic information gathered on applicants responding to job announcements. On March 3, 2010, the U.S. Equal Employment Opportunity Commission (EEOC) and OPM issued a joint memorandum on applicant flow data emphasizing applicant data collection as an important tool in examining the fairness and inclusiveness of the Federal government's recruitment efforts. The memorandum also stated that by reviewing this data, organizations can reassess and improve efforts to reach all segments of our population. OPM strongly supported the collection of optional demographic data.

Applicant flow data can vary depending on how it is collected. For example, data can be collected for each phase of the hiring process through selection or exclusively at the application phase. Demographic information on applicants includes:

- how the applicant learned about the position,
- sex,
- ethnicity,
- race, and
- disability/serious health condition.

It is important to note that applicant flow data is gathered from applicants who respond to such questions on a voluntary basis.

In terms of sources from which FCA could obtain applicant flow data, there are two systems used for FCA job announcements. For all positions except entry-level examiner positions, FCA uses the FedHR Navigator system as an internal system. For entry-level examiner positions, FCA utilizes an outside OPM system. The main difference between applicant flow data generated by these two systems is the OPM

data follows the applicant information from application to selection, whereas, the FedHR Navigator system only collects applicant information¹.

FedHR Navigation System Data

For the data in the FedHR Navigator system, limited applicant flow data is currently available. According to OMS, the data provided was available through an EEO reporting tool, which was not used by FCA in the past. The data, obtained for this audit, contained applicant data for 85 of FCA's announced positions. The FedHR Navigator System reported the data by race, ethnicity, and gender. The data showed there was an average response rate of 51 percent of those applicants that disclosed demographic information. The FedHR Navigator system reported the data by race, ethnicity, and gender.

Even limited data includes information the Agency can use to improve diversity and inclusion efforts. For example, of those applicants that declared gender, there was not a large deviation (46 percent female and 54 percent male), but more men applied to the positions than women. This may mean a targeted emphasis on attracting women should ensue. Likewise, the limited data shows the Agency also has an opportunity to improve the applicant pool for minority representation and ethnicity diversity.

OPM System Data

We also reviewed applicant flow data from the OPM system. FCA requested applicant flow data for three jobs announced utilizing the OPM system, which contained demographic information. The data showed there were 728 total applicants for the three vacancies that disclosed race and national origin information and/or gender, which was 53 percent of the total applicants. The OPM reports show this data by race/national origin and gender.

The data shows there are areas where FCA could improve. For example, the more detailed data on race and national origin shows that while FCA began with a relatively diverse pool of candidates in terms of race and national origin, the personnel ultimately selected for the positions did not reflect the same diversity levels. In addition, the gender data shows that of those candidates that declared gender, there were less females applying to the positions than males. Recognizing there are applicants who drop out of the process or are eliminated for lack of basic qualifications at early stages, the collection of demographic information can provide data and aid the Agency in pinpointing places along the continuum of hiring where further analysis may provide opportunities to improve diversity and inclusion. While there are many factors considered in the hiring process to ensure the best qualified candidates are selected, the Agency can use the data as a tool for evaluating candidate consideration and exclusion in the hiring process.

¹ For this audit, we reviewed applicant flow data from both of these systems utilized by FCA. For the FedHR Navigator system, we received a report from OMS that used the EEO Summary Report tool on the system. This data set was limited to August 2011 through April 2015 announcements, excluding the OPM system announcements, and was limited to applicant information only. Because of the limitations of the data, it cannot be projected to all FCA announcements and applicants. The data set was also limited to only those that declared demographic information, and as noted above, this was voluntary for applicants. For the OPM system, we received a report on applicant flow data for three examiner positions announced in October 2014, January 2015, and March 2015. There are inherent limitations to the data that include the limited amount of announcements and the response rate of the demographic information because, again, the responses were voluntary for applicants. Therefore, the data also cannot be projected to all FCA announcements and applicants.

Barrier Analysis

At the time of our fieldwork, FCA was not consistently using either the FedHR Navigator system or OPM system to collect or analyze applicant flow data. Although during our audit FCA requested applicant flow data on three jobs announced in the OPM system, FCA has no established process to request and analyze any applicant flow data. The Agency has not done so because, as FCA stated in its required annual equal opportunity report, “the agency had sufficient resources to enable the agency to conduct a thorough barrier analysis of its workforce, including the provision of adequate data collection and tracking systems.” The Agency also stated in its Hispanic Employment Report for 2014, “given the size of the Agency and with few vacancy announcements, the applicant flow data would not produce sizeable data for meaningful analysis.” We disagree.

A barrier analysis is an assessment to monitor progress and identify areas where barriers may operate to exclude or disadvantage any group based on gender, race, ethnicity or disability. EEOC has determined that applicant flow data is demographic data that is an integral part of the barrier identification process. According to the EEOC, a barrier analysis allows the organization to “reassess and improve its efforts to reach all segments of our population.” As a result, collecting such data consistently would provide a solid foundation and be the first step to identify opportunities for improvement. For example, applicant flow data can provide details on diversity of the applicant pool, which can assist recruiting efforts. The data can also show potential barriers that exclude certain groups. It could also demonstrate areas where training may be needed to address these barriers. Data can show demographic areas underrepresented and increase knowledge and awareness of hiring practices. Overall, when collected and compared, applicant flow data could be useful in analyzing potential barriers in the various stages of the hiring process.

While no conclusions have been reached given the limitations of the data (percent declared, number of announcements, etc.), the data does show areas for potential improvement with the Agency’s recruiting and hiring efforts. One potential mechanism for improvement would be an in-depth review of the Agency’s hiring practices by a group, such as OPM’s Human Resources Solutions, or an internal review. An assessment could help determine if there are potential barriers within FCA’s process, in the initial application process, or in the subsequent processing of applications causing the diversity in the initial applicant pool to dissipate somewhere along the selection process. The assessment could target areas for potential improvement.

Other agencies have contracted for a barrier analysis. The National Credit Union Administration’s OIG reported in its response to the Congressional request in March 2014 (as noted on page 2) that the agency contracted for expert professional services for an agency-wide barrier analysis to identify and eliminate any barriers that may exist that are impeding free and open competition in the workplace.

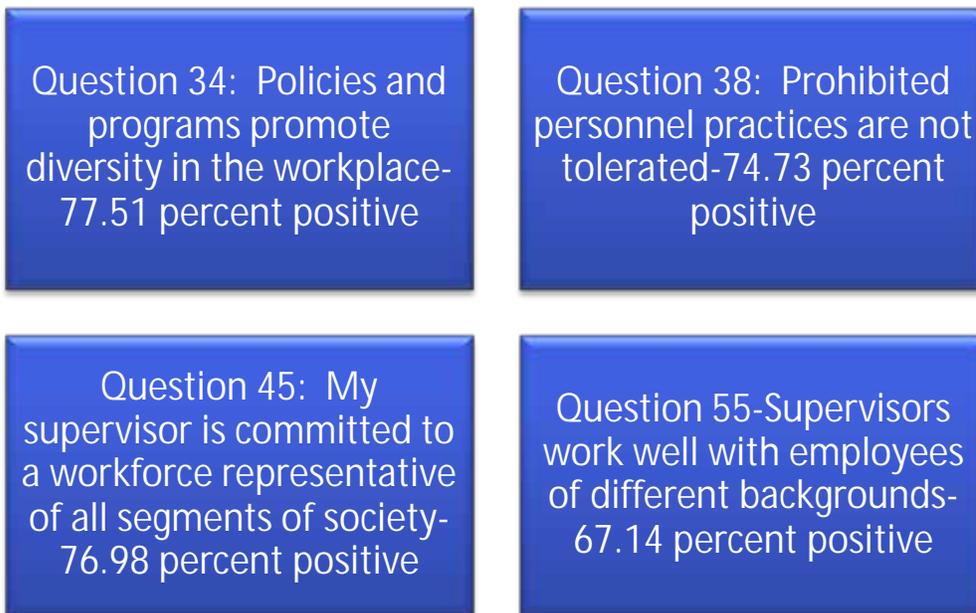
FCA does not have an established process to request and analyze applicant flow data. FCA has not initiated an ongoing process to request and analyze all applicant flow data. It remains unclear whether FCA will continue to request the information; who would request the information; and how the information would be analyzed and subsequently disseminated. In order for this information to be effective and useful, FCA will need to decide which office will be responsible for requesting and analyzing the data. An effective dissemination method will need to be utilized in order for hiring managers and Agency personnel to realize the effects of their efforts and address areas that need improvement.

Given the current trends and applicant flow information, the Agency may also benefit from a more focused, mandatory training in recruiting and hiring practices for employees involved throughout the process to address any potential barriers to diversity during the selection process. FCA did conduct a brown bag lunch event on unconscious biases in FY 2015. However, the event was not mandatory for those involved in the hiring process. While this event is useful and meaningful, FCA could benefit from additional training in this area.

Survey

Finally, given the data presented, an Agency-wide survey on workplace diversity and inclusion could be useful. The EEOC states that a climate survey can help agencies assess the pulse of their workforce and make changes. Issuing a survey to employees on workplace diversity and inclusion can help identify areas of concern or emphasis for current employees. The survey results could also assist in developing revised or new human capital strategies and solicit ideas from employees on areas of possible improvement.

Annually, along with most of the Federal Government, FCA participates in the Federal Viewpoint Survey. This survey includes questions related to diversity. For 2015, FCA had an 87.2 percent response rate. The following positive responses were given to workplace diversity and inclusion questions:



Although these questions relate to workplace diversity and inclusion, FCA may benefit from a more targeted survey, or other information-gathering tool, specific to FCA to further improve efforts. For example, Question 34 on the viewpoint survey asks employees if policies and programs promote diversity in the workplace (for example, recruiting minorities and women, training in awareness of diversity issues, mentoring). According to the EEOI Director, FCA is currently working to gather information on potential questions for a survey.

Agreed-Upon Actions 7-11

In order to improve the human capital challenge area of workplace diversity and inclusion, OMS, in coordination with the EEOI Director, agreed to:

7. Consider a veterans' representative for Agency veteran efforts.
8. Provide training to all personnel involved in the recruiting and hiring process on potential biases and barriers to employment.
9. Conduct an assessment of FCA hiring practices to identify potential barriers and areas of improvement.
10. Establish a policy that includes the plan for requesting and analyzing applicant flow data for FCA job announcements.
11. Conduct a survey, or use other information-gathering tools, to gather additional targeted information on workplace diversity and inclusion.

OMS stated it would work with the EEOI Director regarding the veterans' representative and would provide documentation that shows the results of the decision. OMS also stated a current training program would be updated and/or expanded for staff involved in the recruiting and hiring process. OMS will also do an internal assessment or seek an outside source to do an assessment of hiring practices and will develop a process on how applicant flow data will be gathered, analyzed, and reported. OMS stated it would also work with the EEOI Director to determine an information gathering process/plan to obtain workplace diversity and inclusion information.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objectives of this audit were to assess the adequacy of the Agency's human capital planning and the effectiveness of its implementation. We conducted fieldwork at FCA's Headquarters in McLean, VA from April 2015 through December 2015. We limited our scope to FCA's human capital implementation efforts from FY 2011-2015 and planning efforts for FY 2016-2020.

We took the following steps to accomplish the objectives:

- Identified and reviewed applicable Federal laws, regulations, OMB policy, and other guidance related to the objectives.
- Reviewed prior audits, inspections, evaluations, and reviews related to human capital planning.
- Conducted interviews with the Chief Human Capital Officer, Human Resources personnel, the Equal Employment Opportunity and Inclusion Director, Training Officer, and selected personnel identified as key person dependencies.
- Identified and reviewed applicable internal FCA policies and procedures.
- Reviewed current employee statistics for retirement based on information issued to Office Directors for the human capital call as of June 2015.
- Reviewed positions identified as key person dependencies. We judgmentally sampled 7 of the 30 individuals listed as key person dependencies based on the type of dependencies and mitigating factors. We also considered the office the person worked in and retirement eligibility. Because the sample is judgmental, it cannot be projected over the entire population.
- Analyzed hiring and separation data from 2010 through June 2015 compiled by OMS.
- Sampled exit interview records and questionnaire results.
- Reviewed and analyzed FCA's diversity and inclusion initiatives. We analyzed workplace statistics compiled by OMS and compared the data to overall representation numbers based on historical reports of FCA's workforce.
- Analyzed applicant flow data received on examiner and non-examiner positions.

This audit was performed in accordance with the Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We assessed internal controls and compliance with laws and regulations to the extent necessary to satisfy the objectives. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our audit. We assessed the computer-processed data relevant to our audit objectives through comparing multiple types of data to various sources and assessing risk. We determined that the data was sufficiently reliable. We assessed the risk of fraud related to our audit objectives in the course of evaluating audit evidence. Overall, we believe the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

ACRONYMS

EEOI	Equal Employment Opportunity and Inclusion
FCA	Farm Credit Administration
FCS	Farm Credit System
FY	Fiscal Year
OE	Office of Examination
OIG	Office of Inspector General
OMS	Office of Management Services
OPM	Office of Personnel Management

R E P O R T

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