



OFFICE OF INSPECTOR GENERAL

Audit Report

2015-MO-C-002

The CFPB Can Enhance Its Diversity and Inclusion Efforts

March 4, 2015

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU

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Abbreviations

ACS	American Community Survey
ADR	alternative dispute resolution
CFPB	Consumer Financial Protection Bureau
C.F.R.	<i>Code of Federal Regulations</i>
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
EEO	equal employment opportunity
EEOC	U.S. Equal Employment Opportunity Commission
FY	fiscal year
GAO	U.S. Government Accountability Office
GS	General Schedule
MD-715	<i>Management Directive 715</i>
No FEAR Act	Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002
NTEU	National Treasury Employees Union
OEEEO	Office of Equal Employment Opportunity
OHC	Office of Human Capital
OIG	Office of Inspector General
OMWI	Office of Minority and Women Inclusion
OPM	U.S. Office of Personnel Management
Treasury	U.S. Department of the Treasury
U.S.C.	<i>United States Code</i>



Executive Summary:

The CFPB Can Enhance Its Diversity and Inclusion Efforts

2015 MO C 002

March 4, 2015

Purpose

The Office of Inspector General conducted this audit in response to a congressional request for information on the Consumer Financial Protection Bureau's (CFPB) activities related to diversity and inclusion. Our objective was to assess the CFPB's human resources-related operations and other efforts to provide for equal employment opportunities, including equal opportunity for minorities and women to obtain senior management positions, and increase racial, ethnic, and gender diversity in the workforce.

Background

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) established the CFPB as an executive agency that follows certain employment provisions of title 5 of the *United States Code* and the implementing regulations in title 5 of the *Code of Federal Regulations*. As an executive agency, the CFPB must also adhere to the equal employment opportunity (EEO) provisions of title 29 and title 42 of the *United States Code* and the implementing regulations in title 29 of the *Code of Federal Regulations*. The Dodd-Frank Act also required the CFPB to establish an Office of Minority and Women Inclusion that is responsible for all agency matters relating to diversity in management, employment, and business activities.

Findings

The CFPB has taken steps to foster a diverse and inclusive workforce since it began operations in July 2011. Recent activities include elevating the Office of Minority and Women Inclusion and the Office of Equal Employment Opportunity to the Office of the Director; conducting listening sessions with employees to identify and respond to perceptions of fairness, equality, and inclusion; and creating an internal advisory council and working groups to focus on diversity and inclusion issues.

We identified four areas of the CFPB's diversity and inclusion efforts that can be enhanced. First, diversity and inclusion training is not mandatory for CFPB employees, supervisors, and senior managers. Second, data quality issues exist in the CFPB's tracking spreadsheets for EEO complaints and negotiated grievances, and certain data related to performance management are not analyzed for trends that could be indicative of potential diversity and inclusion issues. Third, the CFPB's diversity and inclusion strategic plan has not been finalized, and opportunities exist for the CFPB to strengthen supervisors' and senior managers' accountability for implementing diversity and inclusion initiatives and human resources-related policies. Finally, the CFPB would benefit from a formal succession planning process to help ensure that it will have a sufficient and diverse pool of candidates for its senior management positions.

We acknowledge that initiatives and activities that are beyond the scope of our review also contribute to enhancing diversity and inclusion. Therefore, the CFPB's ability to attract, develop, and retain a diverse and inclusive workforce is affected by other factors not specifically identified in our report.

Recommendations

Our report contains recommendations designed to improve the monitoring and the promotion of diversity and inclusion at the CFPB, as well as to strengthen related controls. In its response to our draft report, the CFPB concurred with our recommendations and outlined planned, ongoing, and completed activities related to analyzing performance management data, performance management training, and tracking of EEO and non-EEO complaints. In addition, the CFPB developed and approved standard operating procedures to address several recommendations and has worked with its union to develop a new performance management system.

Summary of Recommendations, OIG Report No. 2015-MO-C-002

Rec. no.	Report page no.	Recommendation	Responsible office
1	20	<p>Enhance efforts to</p> <ul style="list-style-type: none"> a. identify and evaluate potential barriers to equal employment opportunity in the CFPB's hiring process. b. eliminate or modify any policy, practice, or procedure that creates such barriers, as necessary. 	Office of Equal Employment Opportunity
2	27	Complete the Office of Human Capital's work to understand the root causes of the statistically significant differences in performance ratings and use the results to inform the design of the new performance management system.	Office of Human Capital
3	29	<p>Ensure that training on the performance management system, including calibration training for supervisors,</p> <ul style="list-style-type: none"> a. is mandatory and provided to all employees at least annually. b. is documented through records of attendance to ensure that all employees receive training on the performance management system. 	Office of Human Capital
4	29	Enhance the process and metrics used to evaluate the effectiveness of performance management system training and make changes to the training as needed.	Office of Human Capital
5	31	Enhance the process for monitoring performance management data for trends, responding to potential problems, and assessing overall program effectiveness.	Office of Human Capital
6	32	Develop an internal process to ensure supervisors' compliance with the requirement to counsel employees at risk of falling below the acceptable level of performance; the process should include maintaining documentation of counseling sessions.	Office of Human Capital
7	32	Enhance the existing performance measures included in supervisors' individual performance plans to address managing employees who are below the <i>solid performer</i> level.	Office of Human Capital
8	34	Enhance measures that relate supervisors' and senior managers' performance assessments to the progress of the CFPB's diversity initiatives, including the addition of specific supervisor and senior manager performance competencies related to promoting diversity and inclusion.	Office of Human Capital
9	38	Develop and implement a formal succession planning process that promotes diversity in the CFPB's senior management and in mission-critical positions.	Office of Human Capital
10	46	<p>Ensure the accuracy and completeness of equal employment opportunity complaint data by</p> <ul style="list-style-type: none"> a. evaluating publicly reported No FEAR Act data and updating these data, if necessary. b. reconciling, as necessary, the equal employment opportunity complaint case files to the complaint data maintained in the tracking spreadsheet currently in use. 	Office of Equal Employment Opportunity

Rec. no.	Report page no.	Recommendation	Responsible office
11	47	<p>Ensure that any new database or complaint tracking system</p> <ul style="list-style-type: none"> a. facilitates efficient No FEAR Act reporting. b. includes internal controls that are designed and implemented to ensure the accuracy and completeness of complaint data. 	Office of Equal Employment Opportunity
12	48	Reconcile, as necessary, the negotiated grievance case files to the grievance data maintained in the tracking spreadsheet currently in use.	Office of Human Capital
13	48	Design and implement the appropriate internal controls in the negotiated grievance tracking system to ensure the accuracy and completeness of grievance data.	Office of Human Capital
14	50	Monitor the effectiveness of the Office of Equal Employment Opportunity's newly created procedures that are designed to prevent duplicate filing of equal employment opportunity complaints and negotiated grievances.	Office of Equal Employment Opportunity
15	58	Implement the CFPB's diversity and inclusion strategic plan, which would satisfy the requirement to implement the U.S. Office of Personnel Management's <i>Government-Wide Diversity and Inclusion Strategic Plan</i> .	Office of Minority and Women Inclusion
16	59	Formalize as a policy statement the standards on which the Office of Minority and Women Inclusion relies for equal employment opportunity and the racial, ethnic, and gender diversity of the workforce and senior management of the agency.	Office of Minority and Women Inclusion
17	60	<p>Ensure that diversity and inclusion training</p> <ul style="list-style-type: none"> a. is mandatory and provided to all employees and supervisors on a regular basis. b. is evaluated for effectiveness using performance metrics and that the results are incorporated into the training, as needed. 	Office of Minority and Women Inclusion



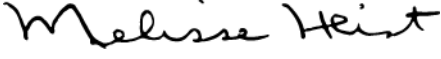
OFFICE OF INSPECTOR GENERAL
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU

March 4, 2015

MEMORANDUM

TO: Sartaj Alag
Chief Operating Officer
Consumer Financial Protection Bureau

Stuart Ishimaru
Assistant Director, Office of Equal Opportunity and Fairness
Consumer Financial Protection Bureau

FROM: Melissa Heist 
Associate Inspector General for Audits and Evaluations

SUBJECT: OIG Report No. 2015-MO-C-002: *The CFPB Can Enhance Its Diversity and Inclusion Efforts*

The Office of Inspector General has completed its report on the subject audit. We conducted this audit in response to a congressional request for information on the Consumer Financial Protection Bureau's (CFPB) activities related to diversity and inclusion. Our objective was to assess the CFPB's human resources-related operations and other efforts to provide for equal employment opportunities, including equal opportunity for minorities and women to obtain senior management positions, and increase racial, ethnic, and gender diversity in the workforce.

Our report contains recommendations designed to improve the monitoring and promotion of diversity and inclusion at the CFPB, as well as strengthen related controls. In the CFPB's response to our draft report, the Director of the CFPB concurred with our recommendations and indicated progress in addressing the recommendations since the end of our review. We have included the Director's response as appendix I in our report.

We appreciate the cooperation that we received from the CFPB's Office of Human Capital, Office of Equal Employment Opportunity, and Office of Minority and Women Inclusion. Please contact me if you would like to discuss this report or any related issues.

cc: Jeffrey Sumberg, Chief Human Capital Officer
Analisa Archer, Deputy Chief Human Capital Officer
M. Stacey Bach, Director, Office of Civil Rights
Christopher D'Angelo, Chief of Staff
Stephen Agostini, Chief Financial Officer
J. Anthony Ogden, Deputy Inspector General

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Introduction

Objective

The Office of Inspector General (OIG) conducted an audit in response to a March 24, 2014, congressional request for information on the Consumer Financial Protection Bureau's (CFPB) activities related to diversity and inclusion.¹ We received a similar congressional request for information on activities related to diversity and inclusion for the Board of Governors of the Federal Reserve System, as did the OIGs of five other federal financial regulatory agencies.² We coordinated with the other OIGs to develop a comparable objective and scope to address the congressional requests.

Our resultant objective was to assess the CFPB's human resources–related operations and other efforts to provide for equal employment opportunities, including equal opportunity for minorities and women to obtain senior management positions, and increase racial, ethnic, and gender diversity in the workforce. To answer our objective, we

- reviewed relevant human resources–related operations, policies, and procedures (e.g., performance management, hiring, and promotions) to determine whether adequate controls are established to prevent and detect bias or discrimination
- analyzed information related to demographic statistics for minority and women employees (e.g., performance management, promotions, and representation at all levels of the agency); informal and formal equal employment opportunity (EEO) complaint statistics; and employee satisfaction survey results to determine whether this information suggests disparities in gender, race/ethnicity, or age
- assessed the CFPB's efforts to respond to complaints, employee satisfaction survey results, or other potential indications of bias or discrimination and to increase diversity throughout the agency
- evaluated the Office of Minority and Women Inclusion's (OMWI) role and involvement in monitoring the impact of the CFPB's personnel policies on minorities and women, as well as monitoring the CFPB's efforts to increase diversity in senior management positions
- identified factors that may impact the CFPB's ability to increase diversity in senior management positions

1. The congressional request letter is in appendix A.

2. The OIGs that received similar requests are those for the U.S. Department of the Treasury's Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, the National Credit Union Administration, and the U.S. Securities and Exchange Commission.

- reviewed the grievance process for bargaining-unit employees and analyzed related statistics for trends affecting equal employment, diversity, and inclusion

The scope of our audit included the CFPB’s human resources–related operations affecting diversity and inclusion from when the agency began operations in July 2011 through the end of fiscal year (FY) 2013, as well as changes to policies and procedures since that time.³

We acknowledge that diversity and inclusion are much broader than the areas covered in our report and that initiatives and activities that are beyond the scope of our review also contribute to enhancing diversity and inclusion. The U.S. Office of Personnel Management (OPM) defines workforce diversity and inclusion, respectively, as follows:

[Workforce diversity is] a collection of individual attributes that together help agencies pursue organizational objectives efficiently and effectively. These include, but are not limited to, characteristics such as national origin, language, race, color, disability, ethnicity, gender, age, religion, sexual orientation, gender identity, socioeconomic status, veteran status, and family structures. The concept also encompasses differences among people concerning where they are from and where they have lived and their differences of thought and life experiences.⁴

[Inclusion is] a culture that connects each employee to the organization; encourages collaboration, flexibility, and fairness; and leverages diversity throughout the organization so that all individuals are able to participate and contribute to their full potential.⁵

OPM further stated that when an agency’s workforce reflects the population it serves, it is better able to understand and meet the needs of its customers.⁶

For the purposes of our review, we focused on aspects of diversity and inclusion specifically related to gender, race/ethnicity, and age. These three aspects of diversity were emphasized as being of particular interest in our discussions with congressional staff. The race/ethnicity categories discussed in this report follow those prescribed by the U.S. Equal Employment Opportunity Commission (EEOC) as defined in its *Equal Employment Opportunity Standard Form 100, Rev. January 2006, Employer Information Report EEO-1 Instruction Booklet*. These categories include White (Not Hispanic or Latino), Black or African American (Not Hispanic or Latino), Hispanic or Latino, and Asian (Not Hispanic or Latino), among others.⁷ Details on our scope and methodology are in appendix B.

3. The CFPB operates on a fiscal year that runs from October 1 through September 30.

4. U.S. Office of Personnel Management, *Government-Wide Diversity and Inclusion Strategic Plan 2011*.

5. U.S. Office of Personnel Management, *Government-Wide Diversity and Inclusion Strategic Plan 2011*.

6. U.S. Office of Personnel Management, Diversity & Inclusion, accessed October 29, 2014, <http://www.opm.gov/policy-data-oversight/diversity-and-inclusion/>.

7. For the purposes of this report, we grouped the following race/ethnicity categories as *Other* due to the small number of individuals typically represented in each of these categories: (1) Native Hawaiian or Other Pacific Islander (Not Hispanic or Latino), (2) American Indian or Alaska Native (Not Hispanic or Latino), (3) Two or More Races (Not Hispanic or Latino), and (4) Undefined (i.e., an individual chooses not to disclose demographic data).

According to the U.S. Government Accountability Office (GAO), an agency with a diverse workforce that includes minorities and women in key positions benefits from multidisciplinary knowledge and skills that can help the organization better accomplish its mission and goals and increase innovation.⁸ Agencies with a diverse workforce achieve these benefits by fostering a work environment in which employees are enabled and motivated to contribute to continuous learning and improvement. When an organization's top leaders demonstrate the importance of diversity and inclusion initiatives—in terms of time spent, resources dedicated, and visibility of actions—they send a clear message about the organization's commitment to diversity management. The CFPB stated in its March 2014 *Office of Minority and Women Inclusion of the Consumer Financial Protection Bureau Annual Report*,

Just as we believe diversity makes good business sense in the industries we regulate, we are equally committed to holding ourselves to the highest standards of inclusion and fairness. We believe that a diverse workforce is essential to ensuring our work is relevant to and representative of the needs of the diverse American public.

In addition, the Director of the CFPB communicates the value of a diverse and inclusive workplace annually to all CFPB employees via an equal opportunity policy statement. This statement describes the importance of fostering a work environment that is fair, equitable, respectful, collaborative, diverse, and inclusive.

Background

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) established the CFPB as an executive agency, as defined in title 5, section 105, of the *United States Code*, and as a bureau within, yet autonomous from, the Federal Reserve System. As such, the CFPB follows certain employment provisions of title 5 of the *United States Code* and the implementing regulations within title 5 of the *Code of Federal Regulations*, such as those related to hiring, promotions, and employee satisfaction surveys. The CFPB must also adhere to the EEO provisions of title 29 and title 42 of the *United States Code* and the implementing regulations within title 29 of the *Code of Federal Regulations*.

Federal Government Standards, Guidance, and Best Practices Related to Diversity and Inclusion

This section highlights standards, guidance, and best practices related to diversity and inclusion, including EEOC management directives, GAO's *Standards for Internal Control in the Federal Government*, the federal government's merit system principles, OPM's *Government-Wide Diversity and Inclusion Strategic Plan 2011*, and diversity management leading practices.

The EEOC is responsible for enforcing federal laws concerning discrimination against a job applicant or an employee because of the person's race, color, religion, sex, national origin, age (40 or older), disability, or genetic information. Federal law also prohibits discrimination

8. U.S. Government Accountability Office, *Diversity Management: Trends and Practices in the Financial Services Industry and Agencies after the Recent Financial Crisis*, GAO-13-238, April 2013.

against a person based on a prior complaint about discrimination, or because the person filed a charge of discrimination or participated in an employment discrimination investigation or lawsuit. The EEOC provides leadership and guidance to federal agencies on all aspects of the federal government's EEO program. The EEOC ensures federal agency and department compliance with EEOC regulations, provides technical assistance to federal agencies concerning EEO complaint adjudication, monitors and evaluates federal agencies' affirmative employment programs, develops and distributes federal-sector educational materials and conducts training for stakeholders, and adjudicates appeals from administrative decisions made by federal agencies on EEO complaints.

The EEOC's *Management Directive 715* (MD-715) provides policy guidance and standards to all executive agencies for establishing and maintaining effective EEO programs. The MD-715 defines the following six essential elements of a model EEO program:⁹

- demonstrated commitment from agency leadership
- integration of EEO into the agency's strategic mission
- management and program accountability
- proactive prevention of unlawful discrimination
- efficiency (e.g., efficient, fair, and impartial complaint resolution process)
- responsiveness and legal compliance

The EEOC's *Management Directive 110* provides federal agencies with policies, procedures, and guidance relating to the processing of employment discrimination complaints governed by the regulations in title 29, part 1614, of the *Code of Federal Regulations*.¹⁰

The Federal Managers' Financial Integrity Act of 1982 requires executive agencies to establish internal accounting and administrative controls that are consistent with standards prescribed by GAO. GAO's *Standards for Internal Control in the Federal Government* provides the overall framework for establishing and maintaining internal control and for identifying and addressing major performance and management challenges and areas at greatest risk of fraud, waste, abuse, and mismanagement. Internal control comprises the plans, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal control also provides reasonable assurance that the organization is operating efficiently and effectively. In the context of diversity and inclusion at the CFPB, internal controls can assist the agency in preventing and detecting bias or discrimination in its human resources-related activities. For example, employee satisfaction surveys can help agency leadership to better understand employees' perceptions of diversity and inclusion, and the survey results can be used to customize employee training on topics such as unconscious bias in the workplace.

The Civil Service Reform Act of 1978 states that federal personnel management should be implemented consistently with merit system principles and free from prohibited personnel practices, such as those defined by the EEOC. As codified, the nine merit system principles address topics such as recruitment, hiring, and promotions; fair and equitable treatment in all

9. U.S. Equal Employment Opportunity Commission, *Management Directive 715*, October 1, 2003.

10. U.S. Equal Employment Opportunity Commission, *Management Directive 110*, November 9, 1999.

aspects of personnel management; employee retention and performance management; employee training; and employee protection against arbitrary action or personal favoritism.¹¹

Executive Order 13583, *Establishing a Coordinated Government-wide Initiative to Promote Diversity and Inclusion in the Federal Workforce*, directed executive departments and agencies to develop and implement a more comprehensive, integrated, and strategic focus on diversity and inclusion as a key component of their human resources strategies.¹² This approach should include a continuing effort to identify and adopt best practices, implemented in an integrated manner, to promote diversity and remove barriers to equal employment opportunity, consistent with merit system principles and applicable law.

The executive order required OPM to develop the *Government-Wide Diversity and Inclusion Strategic Plan 2011*, which highlights comprehensive strategies for executive agencies to employ in identifying and removing barriers to equal employment opportunity that may exist in recruitment, hiring, promotion, retention, professional development, and training policies and practices.¹³ The executive order further required executive agencies to implement OPM's plan.

GAO issued *Diversity Management: Expert-Identified Leading Practices and Agency Examples* in response to a separate congressional request to report on the federal government's performance in managing its diverse workforce. In its report, GAO identifies the following nine leading diversity management practices:¹⁴

Top leadership commitment—A vision of diversity demonstrated and communicated throughout an organization by top-level management.

Diversity as part of an organization's strategic plan—A diversity strategy and plan that are developed and aligned with the organization's strategic plan.

Diversity linked to performance—The understanding that a more diverse and inclusive work environment can yield greater productivity and help improve individual and organizational performance.

Measurement—A set of quantitative and qualitative measures of the impact of various aspects of an overall diversity program.

Accountability—The means to ensure that leaders are responsible for diversity by linking their performance assessment and compensation to the progress of diversity initiatives.

Succession planning—An ongoing, strategic process for identifying and developing a diverse pool of talent for an organization's potential future leaders.

11. 5 U.S.C. § 2301(b).

12. Executive Order No. 13583, *Establishing a Coordinated Government-wide Initiative to Promote Diversity and Inclusion in the Federal Workforce*, August 18, 2011.

13. U.S. Office of Personnel Management, *Government-Wide Diversity and Inclusion Strategic Plan 2011*.

14. U.S. Government Accountability Office, *Diversity Management: Expert-Identified Leading Practices and Agency Examples*, GAO-05-90, January 14, 2005.

Recruitment—The process of attracting a supply of qualified, diverse applicants for employment.

Employee involvement—The contribution of employees in driving diversity throughout an organization.

Diversity training—Organizational efforts to inform and educate management and staff about diversity.

GAO states in its report that the diversity management experts it spoke with or whose publications it reviewed generally agreed that organizations should consider a combination of these nine identified leading practices when developing and implementing diversity management.

The CFPB's Workforce

In this section, we provide information about the CFPB's workforce composition by gender, race/ethnicity, and age. This information provides context for the remainder of the report.

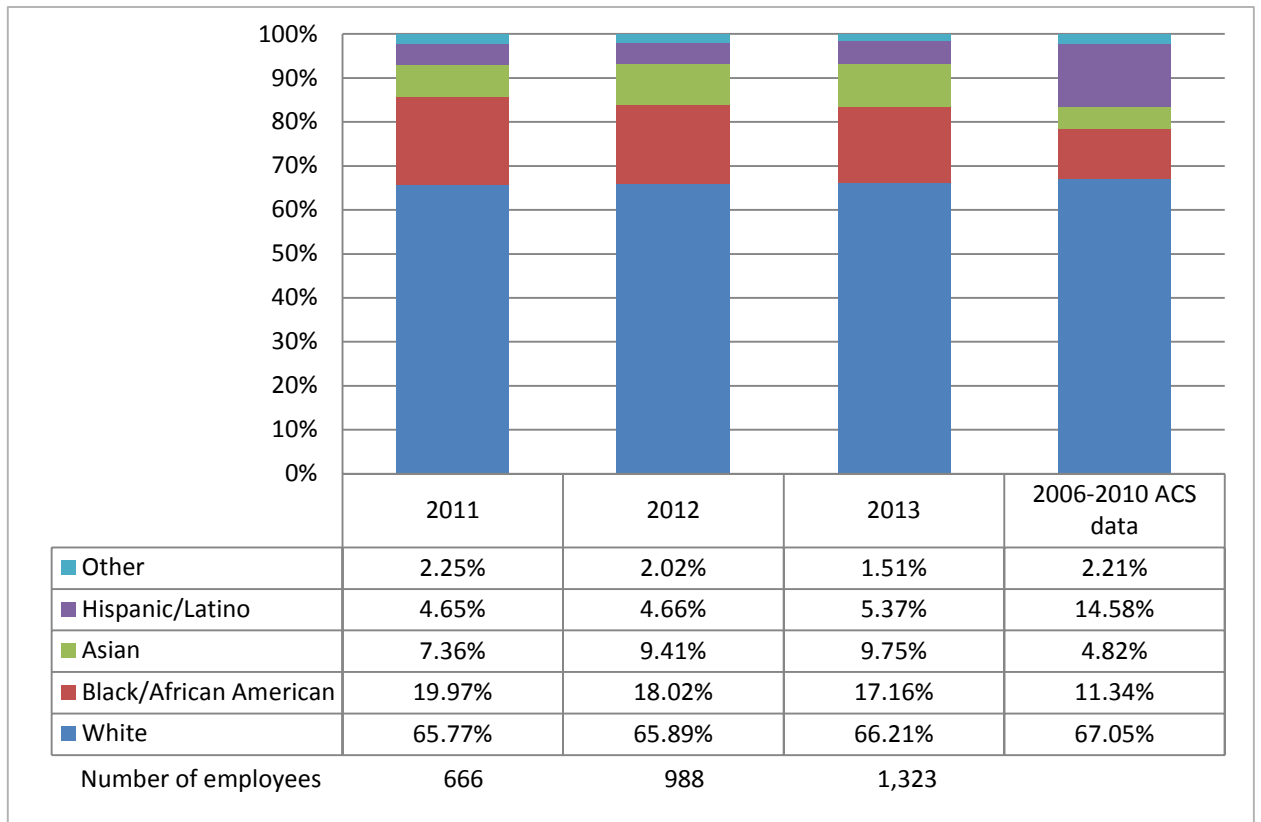
Composition of the Workforce

The CFPB's workforce grew from 666 employees by the end of FY 2011 to 1,323 employees by the end of FY 2013. As the workforce expanded, the percentage of employees in the gender, race/ethnicity, and age categories remained essentially the same. As shown in appendix C, table C-1, by the end of FY 2013 approximately 34 percent of the CFPB's workforce were non-White employees, 47 percent were female, and 48 percent of employees were 40 years of age or older.

In FY 2011–FY 2013, the percentage of non-White employees in the CFPB's workforce was higher than the percentage of non-White employees reported in the most recent American Community Survey (ACS) data, with the exception of Hispanic/Latino individuals and those categorized as *Other* (figure 1).¹⁵

15. The Census Bureau entered into a reimbursable agreement with a consortium of four federal agencies—the EEOC, the U.S. Department of Justice, the Office of Federal Contract Compliance Programs at the U.S. Department of Labor, and OPM—to create a custom tabulation identified as the EEO Tabulation 2006–2010, referred to as the five-year ACS data. The five-year ACS data serves as the primary benchmark for comparing the race, ethnicity, and sex composition of an organization's internal workforce with that of the analogous external labor market, within a specified geography and job category.

Figure 1: Permanent CFPB Employees, FY 2011–FY 2013, and ACS Data,^a 2006–2010, by Race/Ethnicity

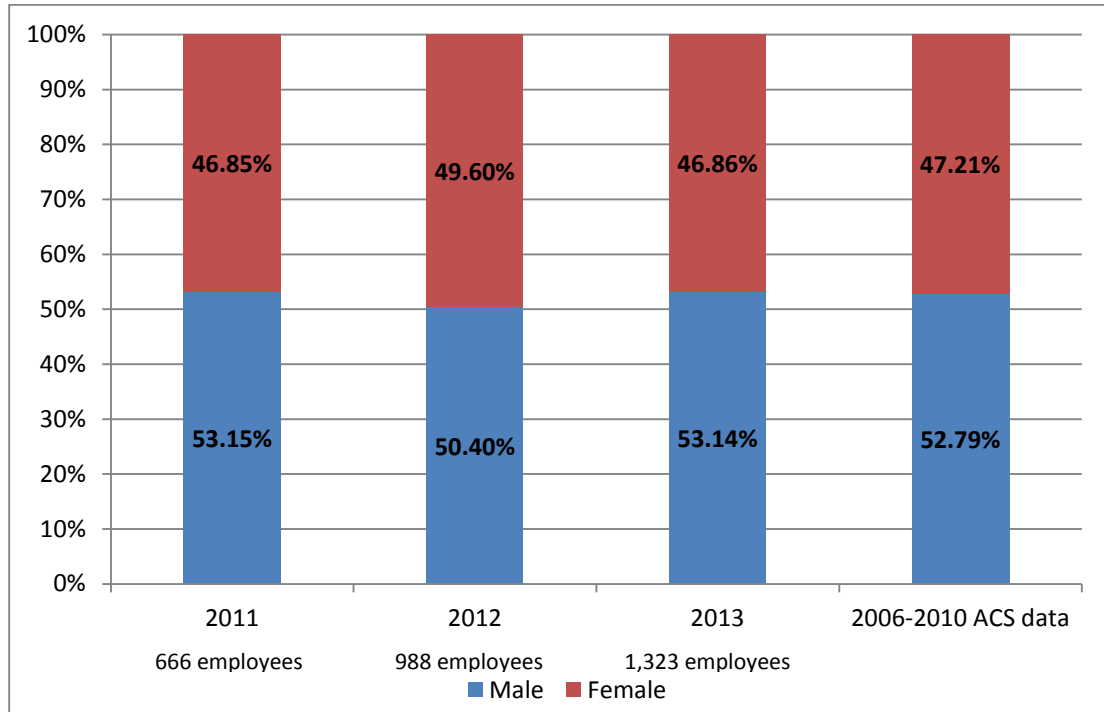


Source: OIG analysis of CFPB-provided data and the Census Bureau's ACS data.

^aThese data are compiled through the survey, which randomly samples around 3.5 million addresses and produces statistics for five-year time periods.

Gender ratios in the CFPB's workforce in all three fiscal years were generally in line with those in the five-year ACS data (figure 2).

Figure 2: Permanent CFPB Employees, FY 2011–FY 2013, and ACS Data,^a 2006–2010, by Gender

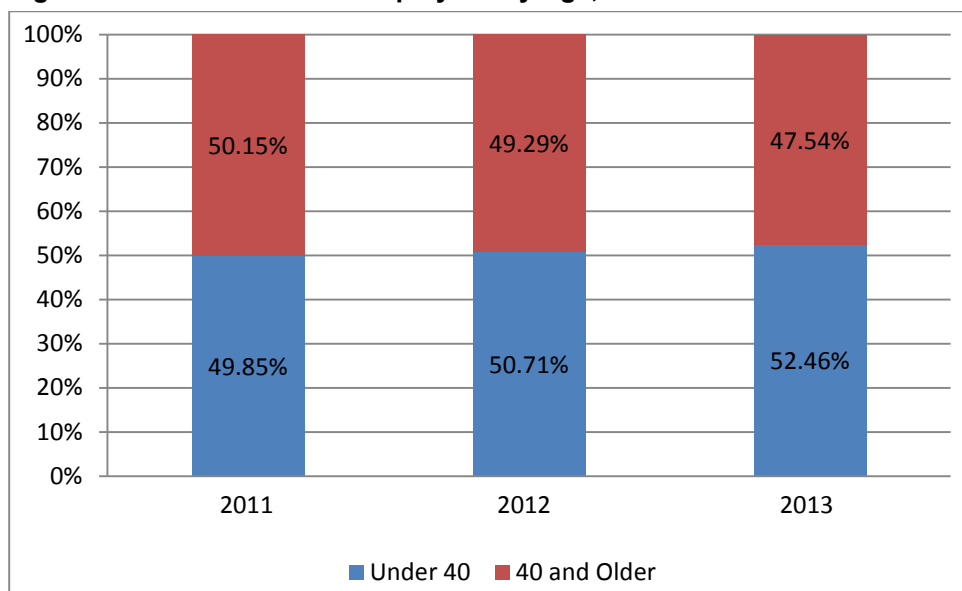


Source: OIG analysis of CFPB-provided data and the Census Bureau's ACS data.

^aThese data are compiled through the survey, which randomly samples around 3.5 million addresses and produces statistics for five-year time periods.

The percentage of CFPB employees under 40 years of age grew slightly over the three-year period; however, there are no comparable ACS data (figure 3).

Figure 3: Permanent CFPB Employees by Age, FY 2011–FY 2013



Source: OIG analysis of CFPB-provided data.

For detailed workforce data, see appendix C.

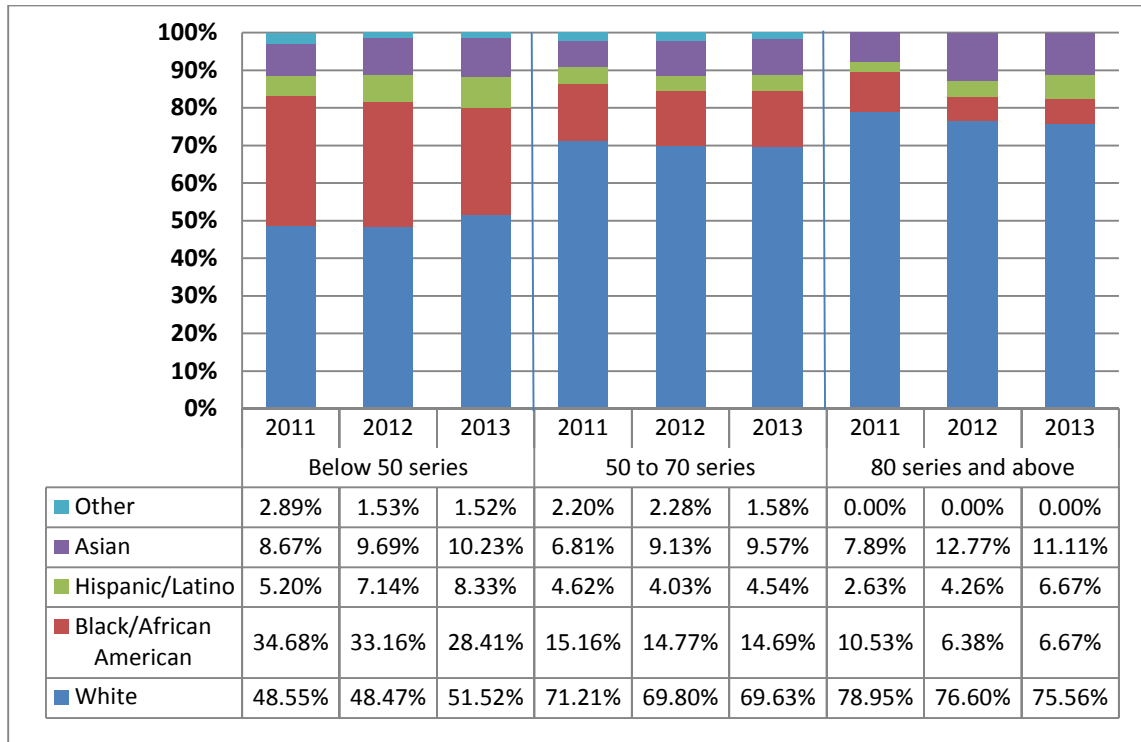
Demographics by Pay Grade

The CFPB’s pay structure contains 24 pay grades ranging from 10 (lowest) to 90 (highest). According to Office of Human Capital (OHC) officials, pay grades below 50 are equivalent to the federal government’s General Schedule (GS)-10 and below, pay grades in the 50 to 70 series are equivalent to GS-11 to GS-15, and pay grades 80 and above are equivalent to the Senior Executive Service.¹⁶

In each year under review, White employees as a percentage of total employees within each pay grade series increased as the pay increased. For example, in FY 2013, White employees made up almost 52 percent of the below-50 pay grade series workforce, almost 70 percent of the 50–70 pay grade series workforce, and almost 76 percent of the 80-and-above pay grade series workforce (figure 4).

16. The General Schedule, or GS, classification and pay system covers the majority of civilian white-collar federal employees. The GS has 15 grades—GS-1 (lowest) to GS-15 (highest). Senior Executive Service employees serve in the key agency positions just below the top presidential appointees.

Figure 4: Workforce Distribution, by Race/Ethnicity and Pay Grade Series, FY 2011–FY 2013



Source: OIG analysis of CFPB-provided data.

Human Resources–Related Offices at the CFPB

The CFPB is composed of the Office of the Director and six supporting divisions, each with specific roles, responsibilities, and activities. Generally, the CFPB’s human resources–related activities are undertaken by three offices: the OHC within the Operations division and the Office of Equal Employment Opportunity (OEEO) and OMWI within the Office of the Director.

Office of Human Capital

The OHC, led by the Chief Human Capital Officer, developed the FY 2013–FY 2015 *CFPB Human Capital Strategic Plan* to provide the CFPB with a roadmap of human capital initiatives and priorities. According to the plan, the CFPB plans to recruit and retain a diverse and highly qualified workforce through effective workforce planning and talent acquisition methods; strong engagement, diversity, and inclusion programs; and a competitive total rewards package. Sections within the OHC include Human Capital Services, Talent Acquisition, Talent Management, Organizational Development and Effectiveness, and Total Rewards.¹⁷

17. According to an OHC official, the Talent Acquisition section was merged with the Human Capital Services section in December 2013.

Human Capital Services

The OHC's Human Capital Services section is responsible for assisting the CFPB in meeting its staffing needs, addressing employee and labor relations issues, and ensuring that all human capital-related systems function properly. The section consists of (1) the Employee and Labor Relations group, which provides counseling, addresses grievances, and supports managers and employees with other human resources-related matters; (2) the Human Capital Systems and Operations group, which administers human capital information systems and provides budget, contract, and internal control support services for the OHC; and (3) the Staffing and Classification group, which works with hiring managers to develop position descriptions and fill vacancies.

Talent Acquisition

The OHC's Talent Acquisition section, which is primarily responsible for recruiting at the CFPB, collaborates with other sections within the OHC, OMWI, and the OEEO to carry out the CFPB's diversity recruitment strategy. The OHC's *Diversity Recruitment Strategy* outlines the agency's recruiting initiatives, which include conducting outreach to colleges and universities, developing relationships with professional and affinity organizations, and using social media and other recruiting tools.¹⁸

Talent Management

The OHC's Talent Management section is responsible for the CFPB's performance management program. The section provides training to supervisors and employees on performance management. Such training includes new employee orientation training, supervisors' training, and training for other employees. In addition, the section maintains an internal web portal that contains information related to performance management as well as online learning and development resources for employees.

Organizational Development and Effectiveness

The OHC's Organizational Development and Effectiveness section is responsible for assisting divisions in retaining the best people; creating a diverse, qualified workforce; and understanding employee feedback and data. The section provides candidate and organization assessments, workforce planning, organizational design, human capital reporting and analysis, and coaching services. For example, the section collects employee feedback through various tools (e.g., surveys, interviews, and focus groups) to increase understanding and improve employee involvement and empowerment.¹⁹ The section also measures progress through performance monitoring and evaluations, including information and reporting on critical human capital reporting metrics for quarterly performance reviews.

18. An *affinity organization* is a group of people having a common interest or goal or acting together for a specific purpose.

19. The CFPB contracts with OPM to conduct and administer employee surveys on behalf of the agency.

Total Rewards

The OHC's Total Rewards section develops and implements the CFPB's compensation, benefits, and work-life programs. These programs are used to attract and retain CFPB employees.

Office of Equal Employment Opportunity

The U.S. Department of the Treasury (Treasury) managed the CFPB's EEO program from July 2011 through October 2012. During this time, the OHC's Employee and Labor Relations group coordinated with Treasury on EEO efforts. In February 2013, the CFPB established its OEEO to administer the CFPB's EEO program. The CFPB appointed the first Director of the OEEO in December 2013.

The Director of the CFPB elevated the OEEO from the Operations division to a newly created office, the Office of Equal Opportunity and Fairness, within the Office of the Director, effective November 2014.²⁰ This new office includes both OMWI and the OEEO and is led by the Director of OMWI. This organizational change was part of an effort to underscore the importance of equal employment opportunity to the mission of the CFPB by facilitating closer communication and access to the Director of the CFPB for EEO issues and greater alignment and collaboration between the OEEO and OMWI in achieving diversity and inclusion goals across the agency.

The OEEO is responsible for establishing and maintaining an EEO program at the CFPB in accordance with title 29, part 1614, of the *Code of Federal Regulations* (e.g., processing EEO complaints in accordance with *Management Directive 110*). The OEEO is also responsible for addressing requirements in the Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002 (No FEAR Act),²¹ such as posting quarterly summary statistical data related to EEO complaints filed against the CFPB on its public website.

Additionally, the OEEO is responsible for ensuring that the agency follows the EEOC's MD-715, which prescribes requirements for developing a model EEO program through the identification of barriers to equal employment opportunity and the development of action items to eliminate such barriers. One such requirement is that agencies identify, monitor, and report significant trends reflected in complaint processing activity.

Office of Minority and Women Inclusion

The Dodd-Frank Act required the CFPB to establish an OMWI that is responsible for all agency matters relating to diversity in management, employment, and business activities. The CFPB established its OMWI in January 2012 and appointed the first Director of OMWI in April of that year. The Director of the CFPB elevated OMWI from the Operations division to the Office of the Director effective April 2014. As noted above, in November 2014 the CFPB

20. The OEEO was renamed the Office of Civil Rights as a result of the reorganization. For the purposes of this report, we use OEEO because that was the name of the office during the period of our review.

21. Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002, 5 U.S.C. § 2301 note.

created a new office, the Office of Equal Opportunity and Fairness, within the Office of the Director that includes both OMWI and the OEEEO.

OMWI is responsible for, among other things, developing standards for equal employment opportunity and the racial, ethnic, and gender diversity of the workforce and senior management of the agency. The office must submit an annual report to Congress regarding actions taken by the CFPB, including, but not limited to, the successes achieved and challenges faced by the agency in operating minority and women outreach programs; the challenges the agency may face in hiring qualified minority and women employees; and any other information, findings, conclusions, and recommendations for legislative or agency action, as the Director of OMWI determines appropriate.

In the Office of Minority and Women Inclusion section of this report, we discuss OMWI in more detail, including its role and involvement in monitoring the impact of the CFPB's human resources-related policies on minorities and women and the CFPB's efforts to increase diversity in senior management positions, as well as OMWI's overall effectiveness in enhancing diversity and inclusion at the CFPB.

National Treasury Employees Union

In May 2013, CFPB employees voted in favor of representation by the National Treasury Employees Union (NTEU). Generally, nonsupervisory employees are classified as bargaining-unit employees and are represented by the NTEU. Supervisory employees are typically classified as non-bargaining-unit employees. In FY 2013, bargaining-unit employees accounted for approximately 73 percent of the CFPB's workforce.

In June 2013, the NTEU and the CFPB established an interim agreement that primarily addressed grievance procedures for bargaining-unit employees. In October 2014, the NTEU and the CFPB established specific collective bargaining agreement articles for telework, promotions, relocation, performance management, compensation, and grievance and arbitration. The CFPB has acknowledged the need to engage the NTEU as the CFPB addresses some of the recommendations noted in our report.

Human Resources-Related Activities at the CFPB

The five human resources-related activities pertaining to diversity and inclusion that are covered in this report and the respective offices with primary responsibility for these activities are shown in table 1.

Table 1: CFPB Offices With Primary Responsibility for Relevant Human Resources–Related Activities

Office ^a	Human resources related activities at the CFPB				
	Recruiting and hiring	Performance management	Promotions and succession planning ^b	Employee complaints	Employee satisfaction surveys
Office of Human Capital					
Human Capital Services	primary for hiring		primary for promotions	primary for non-EEO	
Talent Acquisition	primary for recruiting				
Talent Management		primary			
Organizational Development and Effectiveness					primary
Office of Equal Employment Opportunity				primary for EEO	

Source: OIG analysis of CFPB-provided documents and interviews.

^aOMWI coordinates with both the OHC and the OEEO for several human resources–related activities (e.g., recruiting, hiring, and employee satisfaction surveys).

^bIn October 2014, the CFPB developed a *Succession Management Guide* to help structure succession planning implementation efforts across the agency. See the Promotions and Succession Planning section of this report for further details.

The congressional request that initiated our work identified specific activities to examine with respect to diversity and inclusion in the CFPB’s senior management and across the six divisions. These activities include recruiting and hiring; performance management; promotions and succession planning; employee complaints; employee satisfaction surveys; and more generally, OMWI’s overall effectiveness in enhancing diversity and inclusion at the CFPB. Our findings and recommendations related to each of these activities are discussed in the remaining sections of this report.

Recruiting and Hiring

OPM has stated that workforce diversity is based on the merit system principle that recruitment should focus on seeking qualified individuals from all segments of society while avoiding discrimination for or against any employee. OPM has further stated that emphasizing diversity in the hiring process will ensure that agencies have a workforce capable of addressing increasingly complex challenges more efficiently.

This section presents information on the CFPB's recruiting and hiring processes. Specifically, we provide a summary of the applicable laws and regulations, the CFPB's processes for recruiting and hiring, and demographic statistics. We identified information that the CFPB can further explore related to Black/African American applicants' representation throughout the hiring process.

Applicable Laws and Regulations

The CFPB has the authority to hire employees under competitive service or excepted service.²² The competitive service hiring authority allows the CFPB to fill positions through open competition among the general public. Under the excepted service hiring authority, the CFPB can fill positions outside the competitive service that are specifically excepted by statute, the President, or OPM.

Title 5, *United States Code*, sections 2301 and 2302, respectively, establish merit system principles and prohibited personnel practices that are applicable to the CFPB's recruiting and hiring process. In addition, title 5, chapter 33, of the *United States Code* and the requisite implementing regulations establish procedures for the examination, selection, and placement of civil service employees in the executive branch. However, the Dodd-Frank Act granted the CFPB temporary authority that permits the agency to waive the requirements of title 5, chapter 33, of the *United States Code* and the requisite implementing regulations to the extent necessary to appoint employees on terms and conditions that are consistent with section 11(1) of the Federal Reserve Act, while providing for

- fair, credible, and transparent methods of establishing qualification requirements for, recruitment for, and appointments to positions
- fair and open competition and equitable treatment in the consideration and selection of individuals to positions

22. There are a number of other governmentwide hiring authorities available to CFPB hiring managers, including those related to the hiring of veterans and their family members, individuals with disabilities, Peace Corps staff and volunteers, and students.

- fair, credible, and transparent methods of assigning, reassigning, detailing, transferring, and promoting employees²³

The CFPB's Processes

Recruiting

According to the OHC's *Diversity Recruitment Strategy*, the success of the CFPB's recruiting initiatives depends on a highly qualified candidate pool, a fair and equitable process, and management accepting the value of diversity. The OHC's Talent Acquisition section, which is primarily responsible for recruiting at the CFPB, collaborates with the OHC, OMWI, and the OEEO to effectively carry out the diversity recruitment strategy. The diversity recruitment strategy outlines the various recruiting initiatives, including outreach to colleges and universities, the establishment of relationships with professional and affinity organizations, and the use of social media and other recruiting tools.

Talent Acquisition collaborates with OMWI to select colleges and universities²⁴ to recruit from based on three factors:

- the ongoing hiring needs of the CFPB (e.g., mission-critical occupations and the most critical skills and competencies needed for open positions)
- the diversity of the student body in fields of interest to the CFPB
- the level of interest within the student body in public service, federal government, and the CFPB's mission

After the colleges and universities are selected, Talent Acquisition develops relationships with affinity groups on campus, such as the national and local chapters of the Association of Latino Professionals in Finance and Accounting and the National Association of Black Accountants. Affinity groups provide an opportunity for the CFPB to identify highly qualified and diverse talent pools. Students are encouraged to apply for job opportunities at the CFPB, including through the Pathways Programs offered at the CFPB.²⁵

Talent Acquisition also works with OMWI to identify key professional and affinity organizations that serve diverse populations and address subject-matter areas relevant to the CFPB. Talent Acquisition collaborates with these organizations through events, information sessions, and headquarters visits. In addition, Talent Acquisition uses the CFPB's website, social media, search engines, and the job boards of these various professional and affinity organizations to advertise available CFPB positions.

23. The CFPB's temporary waiver authority expires July 21, 2015.

24. The CFPB considers organizations such as historically Black colleges and universities, Hispanic-serving institutions, tribal colleges, women's colleges, and both private schools and public institutions.

25. OPM implemented the Pathways Programs, established by Executive Order 13562, *Recruiting and Hiring Students and Recent Graduates*. The Pathways Programs provide clear paths to federal internships and potential careers in government for students and recent graduates. The Pathways Programs consist of the Internship Program, the Recent Graduates Program, and the Presidential Management Fellows Program.

Hiring

According to the OHC's interim *Hiring, Promotion, and Internal Personnel Movements Policy*, it is the CFPB's policy to provide

equal opportunity in employment for all persons, without regard to race, color, religion, sex (including pregnancy, sex stereotyping, gender identity, and gender non-conformity), national origin, disability, age (40 or older), genetic information, political affiliation, marital status, sexual orientation, parental status, uniformed status, membership in a labor organization or union activities, prior EEO or whistleblower activity, or any other nonmerit factor.

The CFPB's hiring process generally begins when a hiring manager works with the OHC to develop the vacancy announcement for the position to be filled. Vacancy announcements are posted on the CFPB's website and on USAJobs.gov, the official federal government website for jobs and employment information.²⁶ As interested individuals apply, they are prompted to voluntarily self-disclose demographic data, such as gender and race.

When the vacancy announcement closes, the applicants' minimum qualifications, technical competencies, and core competencies are evaluated by Treasury's Bureau of the Fiscal Service for positions other than senior manager positions.²⁷ The CFPB contracts with the Bureau of the Fiscal Service to determine which applicants meet the minimum qualifications, such as required education, to confirm eligibility for the position. The Bureau of the Fiscal Service also evaluates applicants' technical and core competencies to determine which applicants are best qualified for the position.²⁸

The hiring manager may evaluate best-qualified applicants using methods such as interviews and reference checks. If the hiring manager decides to select an applicant for the position, the OHC's Total Rewards section works with the hiring manager to determine the appropriate salary to offer. The OHC's Human Capital Services section then takes the necessary actions to extend a job offer, and the OHC's Talent Management section onboards the employee.

Demographic Statistics

We analyzed the CFPB's hiring data for FY 2011 through FY 2013 based on the race/ethnicity of applicants for non-senior-manager positions only. We obtained these data from the CFPB's talent acquisition system, which only contains data for applicants who applied to vacancy announcements posted on USAJobs.gov. For the three-year hiring period under review, we

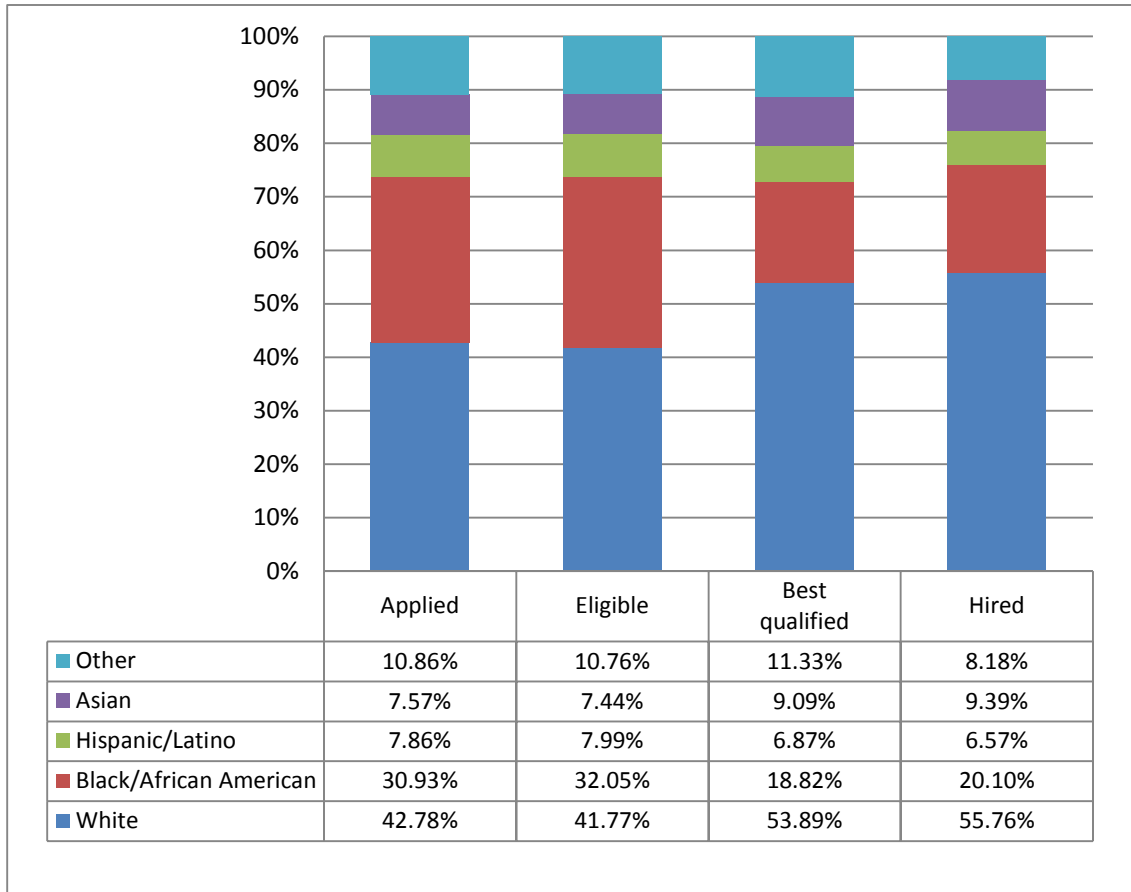
26. The CFPB posts senior manager positions on the CFPB's website but not on USAJobs.gov.

27. The CFPB determines the eligible and best-qualified applicants for senior manager positions. According to an OHC official, the CFPB also determines the best-qualified applicants for select positions that require multiple assessments to enhance the quality of candidates referred to hiring managers.

28. Best-qualified applicants are ranked as set forth in 5 U.S.C. § 3313 and 5 C.F.R. part 330.

analyzed data by four phases in the hiring process: applied, eligible, best qualified, and hired (figure 5).²⁹ See appendix D for further detail.

Figure 5: Applicants for Non-Senior-Manager Positions, by Race/Ethnicity, Average for FY 2011–FY 2013^a



Source: OIG analysis based on CFPB-provided data.

^aAs previously noted, the Bureau of the Fiscal Service determines eligible and best-qualified applicants applying for non-senior-manager positions.

29. During the application process, individuals were asked to voluntarily disclose demographic data. If an individual chooses not to disclose demographic data, he or she is categorized as *Undefined*. As previously noted, for the purposes of this report, we grouped the following race/ethnicity categories as *Other* due to the small number of individuals typically represented in each of these categories: (1) Native Hawaiian or Other Pacific Islander (Not Hispanic or Latino), (2) American Indian or Alaska Native (Not Hispanic or Latino), (3) Two or More Races (Not Hispanic or Latino), and (4) Undefined (i.e., an individual chooses not to disclose demographic data).

Finding: Further Analysis of Hiring Data Could Enhance the CFPB's Efforts to Promote Workforce Diversity

We found that Black/African American applicant representation in the first two phases of the hiring process (applied and eligible) exceeded 30 percent. The group's representation in the best qualified and hired phases decreased approximately 10 to 13 percentage points.³⁰ As previously mentioned, the CFPB contracts with the Bureau of the Fiscal Service to determine which applicants are eligible for the position and which of those are best qualified. However, the CFPB is responsible for overseeing how the Bureau of the Fiscal Service makes these determinations to ensure that the CFPB's hiring process provides equal employment opportunity. The MD-715 states that

agencies must regularly evaluate their employment practices to identify barriers to equality of opportunity for all individuals. Where such barriers are identified, agencies must take measures to eliminate them. With these steps, agencies will ensure that all persons are provided opportunities to participate in the full range of employment opportunities and achieve to their fullest potential.

The MD-715 requires agencies to conduct a self-assessment on at least an annual basis to monitor progress and identify areas where barriers may exclude certain groups. This self-assessment must include an evaluation of the race of applicants for both permanent and temporary employment. Although the CFPB currently maintains and monitors the demographic data of applicants as part of the OEEO's annual MD-715 reporting, further analysis of the hiring data could provide the CFPB with an opportunity to determine whether potential barriers to workforce diversity exist and to take necessary action to address potential barriers.

Management Actions

The CFPB has created the Diversity Hiring Working Group, which is responsible for making recommendations to improve the hiring process. For example, based on a recommendation from the workgroup, the OHC now requires hiring managers to provide information on the status of each candidate referred for consideration during the final selection process. The OHC tracks the demographic data of selected and nonselected applicants and the reasons for nonselection to determine whether potential barriers to equal employment opportunity exist in the later phases of the hiring process.

30. Our analysis does not identify whether statistically significant differences exist in the number of applicants represented in each of the four phases of the hiring process based on race/ethnicity. It is important to note that statistically significant differences do not necessarily indicate discrimination and could be due to a wide variety of explanations, such as actual differences in the applicants' qualifications.

Recommendation

We recommend that the Director of the OEEEO

1. Enhance efforts to
 - a. identify and evaluate potential barriers to equal employment opportunity in the CFPB's hiring process.
 - b. eliminate or modify any policy, practice, or procedure that creates such barriers, as necessary.

Management's Response

The Director of the CFPB concurs with our recommendation. In his response, the Director of the CFPB noted that "OPM recently analyzed applicant flow data on a government wide basis; this data show markedly similar results to those found in the Report." In addition, he stated that it is notable that appendix C of our report states that the CFPB's non-White workforce is 33 percent, while appendix D states that the hiring of non-White employees was 44 percent from FY 2011 to FY 2013. The Director of the CFPB refers to the CFPB's ongoing tracking of hiring data related to the final selection of applicants, as mentioned in our report. To support the CFPB's efforts to ensure equal employment opportunity, the agency will analyze its hiring data and consider information, best practices, and recommendations from OPM. The Director of the CFPB states that the agency's initial assessment of hiring data, which will include a summary of key findings and recommendations, has a projected completion date of September 30, 2015.

OIG Comment

The actions described by the Director of the CFPB appear to be responsive to our recommendation. We plan to follow up on the CFPB's actions to ensure that the recommendation is fully addressed.

Performance Management

OPM defines performance management as the systematic process by which an agency involves its employees, as individuals and as members of a group, in improving organizational effectiveness in the accomplishment of agency mission and goals. Performance management includes

- planning work and setting expectations
- continually monitoring performance
- developing the capacity to perform
- periodically rating performance in a summary fashion
- rewarding good performance

According to GAO, effectively managing a diverse group of employees is important because equality of opportunity is essential to attracting, developing, and retaining the most qualified workforce throughout the organization.³¹ GAO also states that developing such a workforce is essential to ensuring the agency's achievement of its strategic mission.

This section presents information on the performance management process, including a summary of the applicable laws and regulations and demographic statistics. Overall, our findings indicate that the CFPB can strengthen its efforts to ensure that its performance management system is implemented consistently and that a framework is in place to analyze data to identify any trends. Specifically, we found that performance management training was not required for all employees, which may have contributed to a perception that the performance management system was inconsistently applied across the agency. In addition, we found that the CFPB did not use certain available information to identify trends in the performance management data, which if monitored, could provide the CFPB with potential indicators of employee concerns about the performance management system that may warrant further evaluation. We further found that there were inconsistencies in how supervisors addressed employee performance that fell below the *solid performer* level. Finally, we found that while diversity and inclusion is mentioned in supervisors' and senior managers' performance measures, measures do not sufficiently connect the supervisors' or senior managers' performance assessments to the progress of the CFPB's diversity and inclusion efforts.

Applicable Laws and Regulations

The CFPB's performance management program follows title 5, chapter 43, of the *United States Code*, and the implementing regulations found in title 5, part 430, subparts A and B, of

31. U.S. Government Accountability Office, *Diversity Management: Expert-Identified Leading Practices and Agency Examples*, GAO-05-90, January 14, 2005.

the *Code of Federal Regulations*.³² This law and the corresponding implementing regulations provide for the establishment of an agency's performance appraisal system and program that include agency-wide policies and parameters for the application and operation of employee performance appraisals. In addition, the law and regulations provide for procedures to plan, monitor, and rate employee performance, including actions that agencies are to take to address unacceptable performance.

The CFPB's Process

The OHC's *Performance Management Program Interim Policy* describes the CFPB's performance management process, which was approved by OPM, for FY 2012 and FY 2013. While the policy does not comment directly on diversity issues, it does provide a process intended to prevent or detect bias in ratings. Specifically, the policy states that the reviewing official is responsible for reviewing the ratings to ensure the consistent application of performance standards and an assessment of progress toward performance objectives.³³ The policy further states that the head of each division within the CFPB is responsible for conducting discussions with rating and reviewing officials to ensure the application of the same evaluation standards to all employees.³⁴

Additionally, the policy includes diversity measures in its performance competencies for supervisors and senior managers.³⁵ Specifically, in the Leading, Managing, and Developing Others competency, the policy states that a supervisor can "grow and retain a diverse staff" to demonstrate this competency. Further, senior managers have a Leading People competency that states that "inherent to this competency is the ability to provide an inclusive workplace that fosters the development of others, facilitates cooperation and teamwork, and supports constructive resolution of conflicts." This competency further identifies leveraging diversity by fostering and developing "an inclusive workplace where a diverse set of talents and perspectives are valued in accomplishing the vision and mission of the organization" as a behavior that can demonstrate this competency. Supervisor and senior manager ratings are based on an assessment of individual performance in all competencies and in the individualized results-based objectives.³⁶

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32. 5 C.F.R. part 430, subparts C and D, which cover Senior Executive Service employees and other senior employees paid under title 5, are not applicable to the CFPB because the agency does not have employees in these categories.
 33. The *reviewing official* is an employee in a supervisory position of record who is responsible for reviewing the ratings assigned by the rating official. Generally, this is the employee's second-level supervisor (or the rating official's supervisor), unless otherwise delegated.
 34. The *rating official* is an employee in a supervisory position of record who is in the best position to observe and appraise an employee's performance and is therefore responsible for assigning ratings to an employee and conducting the mid-year and annual performance reviews. Generally, the rating official is the employee's first-line supervisor, unless otherwise delegated.
 35. *Performance competencies* are the way in which employees are expected to accomplish assigned work by demonstrating an observable set of skills, knowledge, abilities, and behaviors that an individual needs to successfully perform work roles or functions.
 36. *Objectives* are what an employee is expected to accomplish during the performance year. An objective is a results-based, measurable performance element that links to and supports the strategic goals of the CFPB or its suborganization(s).

The CFPB's performance cycle is October 1 through September 30. The performance management process begins with the development of an individual employee's performance plan, which must be documented in writing. Performance plans can be modified up until 90 days before the end of the performance cycle to reflect changes to an employee's responsibilities and expectations. The rating official must approve any modifications to the plan; however, the reviewing official's approval is not required for modifications. If an employee's performance falls to the *unacceptable* level at any time during the performance period, the rating official must notify the OHC, and the employee is placed on a performance improvement plan.

At the mid-point of the performance cycle, the rating official must conduct a mid-cycle performance review for each employee. The employee and the rating official must have a conversation in which the rating official provides the employee feedback on how well he or she is meeting the performance standards contained in the performance plan. However, ratings are not assigned during the mid-cycle review.

On an annual basis, rating officials must rate each employee's performance. The rating official is responsible for determining an employee's rating for each competency and objective. The employee summary rating is determined by the equal weighting of the average score of all competencies and the average score of all objectives. These ratings are then reviewed and approved by the reviewing official. The rating official is responsible for communicating the final ratings to the employee.

The rating scale for CFPB employees for the period under review was as follows:

- 1—*unacceptable*
- 2—*marginal performer* (only in effect for FY 2013)
- 3—*solid performer*
- 4—*high performer*
- 5—*role model*

If an employee did not agree with the final rating and requested reconsideration, the process for reconsideration depended on whether the employee was part of the bargaining unit. Non-bargaining-unit employees could request a reconsideration of their ratings as described in the *Performance Management Program Interim Policy* or through the process described in the Administrative Grievance section of this report, while bargaining-unit employees could request a reconsideration of their rating using the process described in the Negotiated Grievance section of this report.

The *Performance Management Program Interim Policy* states that a formal rating of record of *unacceptable* is not required before informing an employee about performance deficiencies, and rating officials should not delay informing employees about unacceptable performance until a formal rating of record is given. According to an OHC official, the OHC provides assistance to supervisors in dealing with employees with poor performance by providing nonmandatory training, holding information sessions for CFPB management, and advertising resources through e-mail. In addition, OHC's Talent Management section refers supervisors to the Employee and Labor Relations group for assistance in issuing performance improvement plans.

Finally, the *Performance Management Program Interim Policy* requires that new employees receive training on the performance management system within their first year at the CFPB; it also requires that, at a minimum, employees receive training every two years. In addition, in FY 2012 and FY 2013, the OHC provided calibration sessions for supervisors during which management teams reviewed performance narratives and the resulting rating for unconscious bias. The OHC offered 34 calibration sessions in FY 2012 and 9 in FY 2013, and the sessions generally occurred toward the end of the performance period.

Demographic Statistics

The CFPB's Internal Analysis

In FY 2014, the CFPB conducted an internal analysis of its FY 2013 performance ratings. This analysis resulted in the CFPB finding statistically significant disparities among employees across certain different demographic groups. Specifically, the analysis revealed statistically significant disparities based on race/ethnicity; age; bargaining-unit membership; field and headquarters location; pay grade; tenure; and for some employees, status as a transferee.³⁷ As a result of its analysis, the CFPB has taken specific steps to respond to these findings, including, but not limited to, the following:

- The CFPB reached agreement with the NTEU, as part of the collective bargaining agreement, to discontinue the use of the previous performance management system and move to a new, two-level performance management system for FY 2014 and FY 2015.³⁸ The CFPB and the NTEU also agreed to work jointly to develop a new performance management system for FY 2016 and beyond.
- The CFPB agreed to compensate employees who received a performance rating of 3—*solid performer* or 4—*high performer* under the previous performance management program as though they had received a rating of 5—*role model* for FY 2012 and FY 2013. This remediation was not extended to Assistant Directors, Deputy Associate Directors, Associate Directors, the Chief of Staff, the Deputy Director, or the Director.
- The CFPB issued a request for proposals for a comprehensive third-party review and validation of its internally conducted performance management analysis and a broad-based evaluation of major human capital processes, including hiring, promotions, and compensation.

37. *Transferees* refers to the employees who were transferred to the CFPB from other federal agencies, as required by the Dodd-Frank Act, when the CFPB was created.

38. OPM approved the CFPB's two-level *pass/fail* performance management system.

Results From an External Consulting Firm's Analysis Performed for the OIG

We used the services of an external consulting firm to conduct an independent analysis of the CFPB's FY 2012 and FY 2013 performance ratings. To perform this analysis, the external consulting firm used tests of both statistical significance and practical significance to analyze performance ratings based on gender, race/ethnicity, and age.³⁹ We requested the external consulting firm to perform its analysis agency-wide, by bargaining-unit membership, and by job level (i.e., senior managers, or employees in pay grades 80 and above; supervisors, or employees in pay grades below 80 who have supervisory status; and all other employees, or employees in pay grades below 80 who do not have supervisory status).

The results of the external consulting firm's analysis of the CFPB's FY 2012 and FY 2013 performance ratings indicated statistically significant disparities among CFPB employees across certain demographic groups. However, these statistically significant differences do not necessarily indicate discrimination and could be due to a wide variety of explanations, such as actual differences in employee performance. Specifically, the external consulting firm's analysis revealed the following statistically significant differences:

- Agency-wide, White employees received statistically significantly higher performance ratings than
 - Black/African American and Hispanic/Latino employees, regardless of bargaining-unit membership, in FY 2013
 - Black/African American employees in FY 2012
- Agency-wide, employees under 40 years of age received statistically significantly higher performance ratings than employees 40 years of age or older in FY 2012 and FY 2013.

The statistically significant differences noted above are generally consistent with the CFPB's internal analysis. The external consulting firm's analysis is included in its entirety in appendix E.

The OIG's Analysis

In addition to the external consulting firm's analysis, we analyzed FY 2012 and FY 2013 performance ratings to determine average performance ratings by division. We did not evaluate the statistical significance of any differences noted during this analysis. As previously noted, these observations do not necessarily indicate discrimination and could be due to a wide

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

variety of explanations. In FY 2012, the CFPB comprised six divisions and the Office of the Director. We noted the following for FY 2012:⁴⁰

- In three of the six divisions, White employees received higher performance ratings, on average, than Black/African American employees.
- In two of the six divisions, White employees received higher performance ratings, on average, than Hispanic/Latino employees.
- In all six divisions and the Office of the Director, employees under 40 years of age received higher performance ratings, on average, than employees 40 years of age or older.

In FY 2013, there were six divisions, the Office of the Director, and Other Programs.⁴¹ We noted the following for FY 2013:⁴²

- In four of the six divisions, White employees received higher performance ratings, on average, than Black/African American employees.
- In three of the six divisions, White employees received higher performance ratings, on average, than Hispanic/Latino employees. In one of the six divisions, Hispanic/Latino employees received higher performance ratings, on average, than White employees.
- In all six divisions, individuals under 40 years of age received higher performance ratings, on average, than individuals 40 years of age or older. This was not the case in the Office of the Director.

Finally, we analyzed FY 2012 and FY 2013 performance ratings to determine average performance ratings at CFPB headquarters (i.e., those whose duty location is Washington, DC) as compared to employees at the regional offices (i.e., those whose duty location is not Washington, DC). The resulting averages were not evaluated for statistical significance; however, we found that at both CFPB headquarters and in the regional offices, White employees received higher performance ratings, on average, than Black/African American and Hispanic/Latino employees for FY 2012 and FY 2013. See appendix F for detailed information.

40. Analyses were only conducted when comparisons included five or more employees in each group, as small sample results are often nonrepresentative and unstable and can change substantially with small changes in the data. Therefore, in 2012, we did not compare the average performance ratings of (1) White employees and Black/African American employees in three divisions and the Office of the Director and (2) White employees and Hispanic/Latino employees in four divisions and the Office of the Director. See appendix F for detailed information.

41. *Other Programs* includes the Ombudsman, the Administrative Law Judge, and the Director's Financial Analysts. The CFPB did not classify any employees in the Other Programs organizational grouping until FY 2013.

42. Analyses were only conducted when comparisons included five or more employees in each group, as small sample results are often nonrepresentative and unstable and can change substantially with small changes in the data. Therefore, in 2013, we did not compare the average performance ratings of (1) White employees and Black/African American employees in two divisions, the Office of the Director, and Other Programs; (2) White employees and Hispanic/Latino employees in two divisions, the Office of the Director, and Other Programs; and (3) employees under 40 years of age and employees 40 years of age or older in Other Programs. See appendix F for detailed information.

Finding: Several Demographic Groups Had Statistically Significant Differences in Their FY 2012 and FY 2013 Performance Ratings

The external consulting firm we used found statistically significant differences based on gender, race/ethnicity, and age in CFPB employees' performance ratings for FY 2012 and FY 2013. This finding is generally consistent with the statistically significant differences identified in the CFPB's internal analysis of its FY 2013 performance ratings.

As previously noted, the Civil Service Reform Act of 1978 states that federal personnel management should be implemented consistently with merit system principles. Title 5, section 2301, of the *United States Code* outlines the federal government's merit system principles, including the second merit system principle, which states that

all employees and applicants for employment should receive fair and equitable treatment in all aspects of personnel management without regard to political affiliation, race, color, religion, national origin, sex, marital status, age, or handicapping condition, and with proper regard for their privacy and constitutional rights.

The CFPB pointed to its performance management system, which it believes was too sophisticated for a new agency, and its lack of policies and procedures as factors that contributed to the statistically significant differences in the performance ratings. Statistically significant differences in performance ratings may expose the CFPB to perceptions of unfairness, inequality, and bias in the manner in which it evaluates employee performance.

Management Actions

As noted above, the CFPB has taken actions to respond to statistically significant differences in its performance ratings, in part by transitioning to a two-level performance management system for FY 2014 and FY 2015. The CFPB has agreed to work with the NTEU to develop a new performance management system for FY 2016 and beyond.

The CFPB has agreed to compensate employees who received a performance rating of 3—*solid performer* or 4—*high performer* under the previous performance management program as though they had received a rating of 5—*role model* for FY 2012 and FY 2013. In addition, the CFPB has released a request for proposals for (1) a comprehensive third-party review and validation of its internally conducted performance management analysis and (2) a broad-based evaluation of major human capital processes, including hiring, promotions, and compensation.

Recommendation

We recommend that the Chief Human Capital Officer

2. Complete the OHC's work to understand the root causes of the statistically significant differences in performance ratings and use the results to inform the design of the new performance management system.

Management's Response

The Director of the CFPB concurs with our recommendation. In his response, the Director of the CFPB emphasizes the actions, detailed in our report, that the CFPB has already taken to address differences in performance ratings. In addition, the CFPB has procured a third-party contractor to (1) review the CFPB's internal analysis of FY 2012 and FY 2013 performance ratings and confirm findings, (2) examine root causes of the rating differences, and (3) provide recommendations for future performance management features and processes. The expected completion date for the third-party review is June 30, 2015. In addition, the Director of the CFPB states that the CFPB is continuing to work with the NTEU on a new performance management system.

OIG Comment

The actions described by the Director of the CFPB appear to be responsive to our recommendation. We plan to follow up on the CFPB's actions to ensure that the recommendation is fully addressed.

Finding: Performance Management Training Is Not Mandatory

We found that the CFPB communicates with its employees about performance management using methods such as training on the performance management program and posting performance management information on an internal web portal. In practice, employees were not required to attend recurring performance management training as required by the CFPB's internal policy. Further, we found that the OHC did not maintain records of attendance at performance management training.

The OHC's *Performance Management Program Interim Policy* states that at a minimum, one-half of all employees and supervisors are to receive training on the CFPB's performance management system every two years. Title 5, part 430, of the *Code of Federal Regulations* states that agencies are to "[c]ommunicate with supervisors and employees (e.g., through formal training) about relevant parts of its performance appraisal system(s) and program(s)."⁴³ OPM's website clarifies that although the regulation does not specify a time frame, it recommends that agencies communicate the features and results of their performance management system annually to employees and supervisors. In addition, GAO's *Human Capital: A Guide for Assessing Strategic Training and Developmental Efforts in the Federal Government* includes a framework that helps federal agencies ensure that their training and development investments are not wasted on efforts that are irrelevant, duplicative, or ineffective.⁴⁴ One step in this framework is that agencies evaluate the effectiveness of their training and development programs, in part, by developing performance metrics.

An OHC official stated that the agency's policy to provide performance management training at a minimum of every two years is treated as a guideline. The OHC relies on CFPB employees to voluntarily attend performance management training. The OHC official also

43. 5 C.F.R. § 430.209(c).

44. U.S. Government Accountability Office, *Human Capital: A Guide for Assessing Strategic Training and Developmental Efforts in the Federal Government*, GAO-04-546G, March 2004.

stated that attendance at performance management training was initially tracked in FY 2012; however, the practice of maintaining attendance records was discontinued at the request of an OHC official. Further, the OHC determined that some supervisors would benefit more from the performance management consulting services offered by the OHC, such as the calibration sessions, than from attending formal performance management training.

We acknowledge that the OHC offered performance management consulting services to CFPB employees. However, the nonmandatory nature of performance management training may have contributed to the perception of an unfair and inconsistent approach to managing employee performance, which was one of the themes that the CFPB identified based on listening sessions held by OMWI, as discussed in the OMWI section of this report. In addition, the OHC is unable to determine how many CFPB employees received performance management training because it did not maintain records of attendance. By not maintaining attendance records, the CFPB may not have all of the necessary information to evaluate the effectiveness of its performance management training.

Management Actions

In FY 2014, the OHC increased the number of training sessions offered and added new performance management training courses on feedback, leadership development, and updates to the performance management system resulting from the “Performance Management” article in the collective bargaining agreement. While the sessions are still not mandatory, the OHC has begun to maintain attendance records.

Recommendations

We recommend that the Chief Human Capital Officer

3. Ensure that training on the performance management system, including calibration training for supervisors,
 - a. is mandatory and provided to all employees at least annually.
 - b. is documented through records of attendance to ensure that all employees receive training on the performance management system.
4. Enhance the process and metrics used to evaluate the effectiveness of performance management system training and make changes to the training as needed.

Management’s Response

The Director of the CFPB concurs with our recommendations. To address recommendation 3, beginning in FY 2015, the OHC will require (1) all employees to attend annual mandatory training on the performance management system and (2) supervisors to attend mandatory calibration training. The CFPB is also developing a standard operating procedure that documents the training requirements, including documentation of training attendance. The planned completion date for the standard operating procedure is March 31, 2015.

To address recommendation 4, the Director of the CFPB states that the CFPB has initiated efforts to evaluate its performance management training. The CFPB will also continue to make improvements to the training based on the data it collects. The standard operating procedure on performance management will also document the requirements for evaluating performance management training.

OIG Comment

The actions described by the Director of the CFPB appear to be responsive to our recommendations. We plan to follow up on the CFPB's actions to ensure that the recommendations are fully addressed.

Finding: The Number of Employees Without Documented or Signed Mid-Point Performance Reviews Increased in FY 2013

We found that the percentage of employees without a documented mid-point review increased from approximately 1 percent in FY 2012 to almost 8 percent in FY 2013. Additionally, we found that the percentage of employees who did not sign their mid-point performance review increased from nearly 2 percent in FY 2012 to over 16 percent in FY 2013.

The *Performance Management Program Interim Policy* requires that each employee receive a performance review from his or her rating official at the mid-point of the performance cycle. The policy further states that the date of the review must be documented and that employees must sign the mid-point review form to acknowledge that the review occurred.

An OHC official stated that in FY 2013, supervisors were not allowed to document the review in the performance management system after the deadline for completing mid-point reviews had passed. The OHC official further explained that while supervisors were directed to conduct mid-point reviews that were outstanding as of the deadline, the OHC did not track whether these reviews actually occurred. The OHC official also stated that supervisors considered the employee signature on the mid-point review to be optional, despite the requirement in the OHC's policy.

Further, the OHC generated weekly reports on the current status of performance management activities. According to an OHC official, these reports are used to monitor progress in completing performance management activities, including the review of the employees' ratings by reviewing officials, the occurrence of mid-point reviews, employees' acknowledgement of mid-point reviews, and discussions of the final ratings with employees. However, the OHC did not use the weekly report to identify the increase in the number of employees without a documented mid-point review or the number of employees who did not sign their mid-point performance reviews. By not monitoring performance management data, the CFPB may overlook potential indicators of employee concerns about the performance management system that may warrant further evaluation.

Recommendation

We recommend that the Chief Human Capital Officer

5. Enhance the process for monitoring performance management data for trends, responding to potential problems, and assessing overall program effectiveness.

Management's Response

The Director of the CFPB concurs with our recommendation. In his response, the Director of the CFPB states that, as mentioned in our report, the OHC monitors progress in completing performance management activities through weekly status reports on performance management activities. The Director of the CFPB notes several actions that the OHC has taken in response to trends identified in the reports, such as refining its communications with managers. To address this recommendation, the Director of the CFPB states that beginning in FY 2015, the OHC will enhance its monitoring procedures for mid-point reviews. In addition, the CFPB is developing a standard operating procedure for its performance management evaluation practices. This standard operating procedure will include procedures for monitoring performance management data for trends, responding to potential problems, and assessing overall program effectiveness. The CFPB plans to finalize the standard operating procedure by March 31, 2015.

OIG Comment

The actions described by the Director of the CFPB appear to be responsive to our recommendation. We plan to follow up on the CFPB's actions to ensure that the recommendation is fully addressed.

Finding: Timely Counseling Was Not Provided to Some Employees Who Received *Marginal Performer* Ratings in FY 2013

During our audit, we noted that seven employees received an FY 2013 *marginal performer* rating and were eligible for performance management counseling. OHC explained that two received such counseling.⁴⁵ Of the remaining five employees, supervisors

- stated that counseling was not provided for one employee
- determined that counseling was not necessary for two employees
- did not respond to the OHC's requests for confirmation that the counseling was provided for the other two employees

In June 2014, the "Performance Management" article of the collective bargaining agreement became effective. This article requires that all bargaining-unit employees who received a

45. Seventeen employees received a rating of *marginal performer* for FY 2013. However, only 11 were eligible for retroactive counseling, as they were still employed by the CFPB in July 2014. Four of those employees were not working in the same position in which they received the *marginal performer* rating and, therefore, were excluded from our testing.

marginal performer rating in FY 2013 be provided retroactive counseling sessions within 30 calendar days of implementation of the article. These sessions were to be documented by the supervisor with a copy provided to the employee within 5 calendar days of the counseling.

According to an OHC official, supervisors received mandatory training on the “Performance Management” article of the collective bargaining agreement in June 2014, which included a section on the process for performance counseling. However, we found instances in which supervisors were not following the requirement to provide retroactive counseling for employees who received a *marginal performer* rating in FY 2013. The CFPB can further demonstrate its commitment to improving its performance management system by holding supervisors accountable for following the collective bargaining agreement requirement to provide retroactive counseling.

Recommendations

We recommend that the Chief Human Capital Officer

6. Develop an internal process to ensure supervisors’ compliance with the requirement to counsel employees at risk of falling below the acceptable level of performance; the process should include maintaining documentation of counseling sessions.
7. Enhance the existing performance measures included in supervisors’ individual performance plans to address managing employees who are below the *solid performer* level.

Management’s Response

The Director of the CFPB concurs with our recommendations. The Director of the CFPB states that the OHC has adopted recommendation 6 through a standard operating procedure, approved on January 16, 2015, on documenting declining performance. As part of this standard operating procedure, the OHC is to notify supervisors and managers on a quarterly basis of the requirement to counsel employees whose performance is at risk of falling below the acceptable level. The Director of the CFPB states that the first notification was issued on January 20, 2015.

To address recommendation 7, the Director of the CFPB states that the Leading, Managing, and Developing Others performance competency for supervisors requires supervisors to provide “ongoing, timely feedback and monitoring” of employees and to assess employees’ performance “in order to make improvements or take corrective action.” In addition to this competency, the January 16, 2015, standard operating procedure on documenting declining performance ensures supervisors’ compliance with the counseling requirements in the June 2014 “Performance Management” article of the collective bargaining agreement. The Director of the CFPB states that the agency will work to include the counseling requirements in the new performance management system being developed with the NTEU.

OIG Comment

The actions described by the Director of the CFPB appear to be responsive to our recommendations. We plan to follow up on the CFPB's actions to ensure that the recommendations are fully addressed.

Finding: Performance Competencies for Supervisors and Senior Managers Do Not Adequately Measure Diversity and Inclusion Efforts

We found that while diversity and inclusion are mentioned in supervisors' and senior managers' performance measures, these measures do not sufficiently connect the supervisors' and senior managers' performance assessments to the progress of the CFPB's diversity and inclusion efforts.⁴⁶ The OHC's *Performance Management Program Interim Policy* includes only a brief discussion of diversity and inclusion in the performance competencies on which supervisors and senior managers are rated.

The ratings measures in both the supervisory and senior manager competencies pertaining to diversity and inclusion are minor components within broad descriptions. Specifically, supervisors are rated on three competencies. The only competency for supervisors that addresses diversity and inclusion is the Leading, Managing, and Developing Others competency. The policy lists several ways in which supervisors can demonstrate this competency, only one of which mentions diversity and inclusion. Similarly, senior managers are rated on five competencies. The only competency related to diversity and inclusion is the Leading People competency, which can be demonstrated by multiple actions, including conflict management, leveraging diversity, developing others, and team building. Senior managers are not required to demonstrate all of these actions to satisfy the competency; as a result, leveraging diversity is not a required measure.

One of GAO's leading diversity practices is accountability, which GAO defines as the means to ensure that leaders are responsible for diversity by linking their performance assessment and compensation to the progress of diversity initiatives. GAO provides as an example one agency that incorporated this practice into its performance management system by requiring senior executives to submit a written description of an accomplishment that promoted EEO and workforce diversity programs. Further, that agency's Director of EEO also serves as an advisor to the agency's performance review board. In the advisory role, the Director of EEO identifies executives with a history of EEO noncompliance and can advise that the executive not receive a bonus.

The supervisor and senior manager competencies do not fully ensure that supervisors and senior managers are held accountable for helping the CFPB achieve its diversity and inclusion initiatives. The identified diversity and inclusion measures in the competencies are only one of several actions listed that can support how a supervisor or senior manager demonstrates the broadly defined competency; there are no specific competencies that directly address diversity and inclusion. If supervisors' and senior managers' performance measures do not sufficiently connect their performance assessments to the progress of the

46. *Senior managers* are those employees in pay grade 80 and above; *supervisors* are employees below pay grade 80 who have supervisory status.

CFPB's diversity and inclusion efforts, the CFPB may limit its ability to foster a diverse and inclusive workforce.

Management Actions

According to an OHC official, the CFPB has developed a new competency model framework that will include both a team member model and a leader model. The new leader model includes a specific competency called "Building and Managing Inclusive Relationships."

Recommendation

We recommend that the Chief Human Capital Officer

8. Enhance measures that relate supervisors' and senior managers' performance assessments to the progress of the CFPB's diversity initiatives, including the addition of specific supervisor and senior manager performance competencies related to promoting diversity and inclusion.

Management's Response

The Director of the CFPB concurs with our recommendation. In his response, the Director of the CFPB states that the CFPB's competency model, which is currently under development, emphasizes diversity and inclusion behaviors and is intended to connect supervisor and senior manager performance to the progress of the CFPB's diversity initiatives. The Director of the CFPB states that in the interim, the agency is providing examples of behaviors for supervisors and senior managers to follow within the existing performance management system to reinforce the role of supervisors and senior managers in achieving a diverse and inclusive workplace. The Director of the CFPB signed the interim guidance on December 9, 2014, and it will be communicated to supervisors and senior managers by April 30, 2015.

OIG Comment

The actions described by the Director of the CFPB appear to be responsive to our recommendation. We plan to follow up on the CFPB's actions to ensure that the recommendation is fully addressed.

Promotions and Succession Planning

According to OPM, an estimated two-thirds of executives across the federal government are eligible to retire from federal service within the next five years.⁴⁷ While a large turnover in executives will be a challenge for federal agencies to manage, it presents an opportunity to diversify the executive workforce. Succession planning can help federal agencies realize this opportunity by forecasting senior leadership needs, identifying and developing candidates for future leadership positions, and selecting individuals from among a diverse pool of qualified candidates to meet executive resource needs. Promotions can also be a path to increasing agency diversity.

This section presents information on promotions and succession planning, including a summary of the applicable laws and regulations and demographic statistics. We found that the CFPB does not have a formal succession planning process, which presents an opportunity for the CFPB to proactively plan for increased diversity within its senior leadership.

Applicable Laws and Regulations

Title 5, sections 2301 and 2302, of the *United States Code* establish merit system principles that are applicable to the CFPB's promotion process. In addition, title 5, part 335, of the *Code of Federal Regulations* establishes regulations applicable to the CFPB related to the promotion and internal placement of employees. However, the Dodd-Frank Act granted the CFPB temporary authority that permits the agency to waive the requirements of title 5, chapter 33, of the *United States Code* and the requisite implementing regulations to the extent necessary to appoint employees on terms and conditions that are consistent with section 11(1) of the Federal Reserve Act, while providing for fair, credible, and transparent methods of assigning, reassigning, detailing, transferring, and promoting employees.⁴⁸

The CFPB's Processes

Promotions

The OHC's *Hiring, Promotion, and Internal Personnel Movements Policy* describes the CFPB's promotion process. Promotions at the CFPB may be made competitively or noncompetitively. The competitive promotion process allows individuals to apply and be considered for vacant positions using the same process described in the Recruiting and Hiring section above. Promotions can be temporary or permanent, depending on the agency's needs.

47. U.S. Office of Personnel Management, Training and Development Policy Wiki, Succession Management, accessed November 5, 2014, <http://www.opm.gov/wiki/training/Succession-Planning.ashx>.

48. The CFPB's temporary waiver authority expires July 21, 2015.

Temporary promotions are not to exceed 120 days, as prescribed by title 5, part 335, of the *Code of Federal Regulations* and the CFPB's *Hiring, Promotion and Internal Personnel Movements Policy*.⁴⁹

For noncompetitive permanent promotions, the process begins with the supervisor's evaluation of the employee's performance. If the following criteria are met, the supervisor recommends an employee for promotion and requests the OHC's approval:

1. Employee meets the minimum requirements for the next grade level.
2. Employee demonstrates an ability to perform the work required at the next grade level.
3. Sufficient work is available at the next grade level.
4. Employee had an acceptable level of performance (i.e., at least a performance rating of 3—*solid performer*).

Succession Planning

According to GAO, agencies with effective succession planning and management efforts determine the critical skills and competencies that will be needed to achieve current and future programmatic results; develop strategies tailored to address gaps in human capital approaches for enabling and sustaining the contributions of all critical skills and competencies; and address specific human capital challenges, such as diversity.⁵⁰ In addition, succession planning is one of GAO's nine leading diversity management practices, which it describes as an ongoing, strategic process for identifying and developing a diverse pool of talent for an organization's potential future leaders.

CFPB senior officials stated that the agency does not have a formal agency-wide or division-level succession planning process in place for identifying and developing a diverse pool of talent with the potential to be future senior leaders. The CFPB's *Workforce Planning Handbook*, however, states that a succession plan should be in place to account for the unforeseen loss of an accountable executive, such as a deputy. The *Workforce Planning Handbook* does not contain guidance on developing nonsupervisory staff to take on supervisory roles. According to senior officials, there are people serving in principal deputy positions who can assume assistant director positions, if needed. In addition, a senior division official also stated that a number of staff members and team leads could potentially advance to management positions.

Demographic Statistics for Promotions

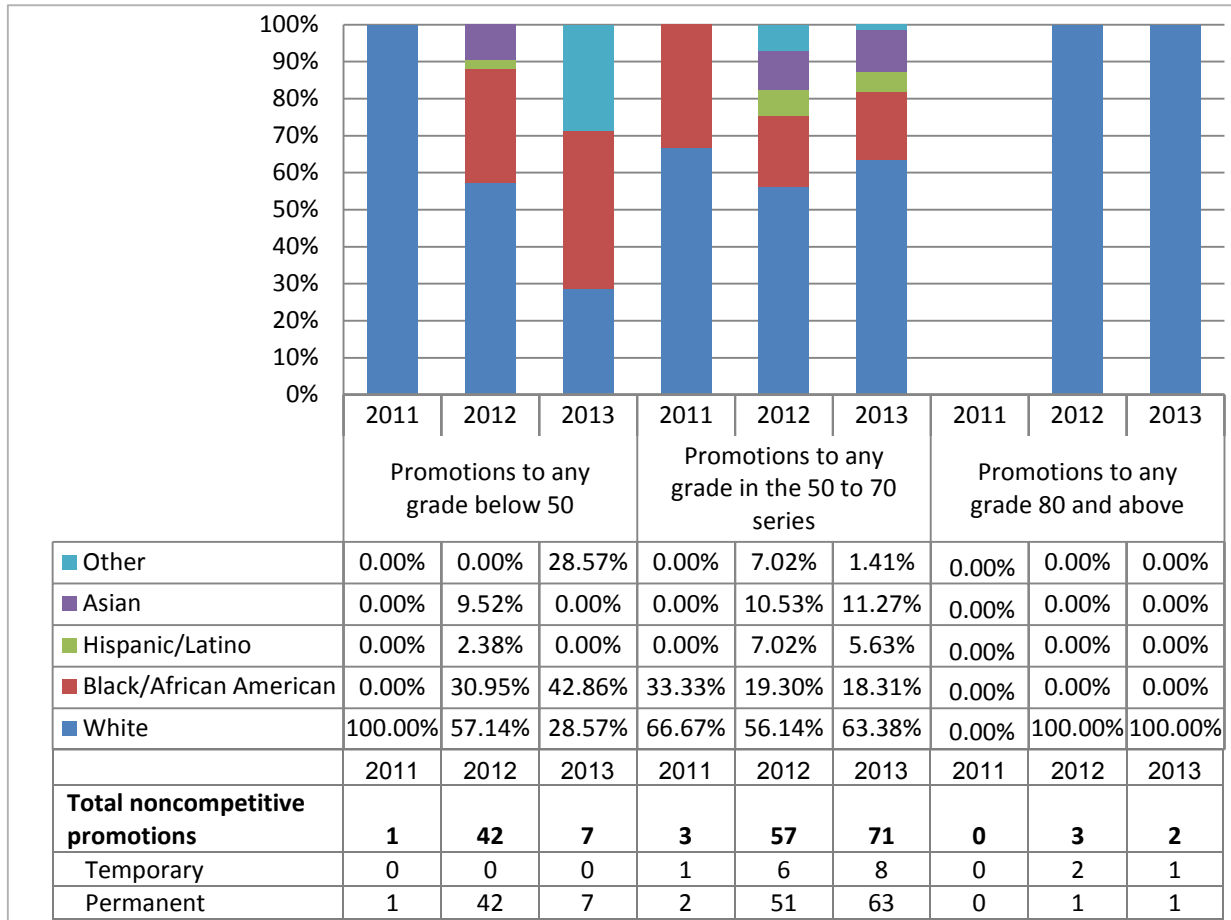
As noted above, competitive promotions are discussed in the Recruiting and Hiring section. In this section, we provide demographic statistics for noncompetitive promotions. The total number of noncompetitive promotions increased from 4 in FY 2011, when the CFPB first began operations, to 102 in FY 2012, the CFPB's first full year as an executive agency. In FY 2013, the total number of noncompetitive promotions decreased to 80; however, the

49. 5 C.F.R. § 335.103(c)(3)(iii).

50. U.S. Government Accountability Office, *Human Capital: Selected Agencies Have Opportunities to Enhance Existing Succession Planning and Management Efforts*, GAO-05-585, June 2005.

number of such promotions increased within the 50 to 70 pay grade series from the previous year (figure 6). See appendix G for further details.

Figure 6: Noncompetitive Promotion Composition, by Race/Ethnicity and Pay Grade Series, FY 2011–FY 2013



Source: OIG analysis of CFPB-provided information.

Finding: The CFPB Does Not Have a Formal Succession Planning Process

We found that the CFPB does not have a formal succession planning process. GAO’s *Diversity Management: Expert-Identified Leading Practices and Agency Examples* defines succession planning as

a comprehensive, ongoing strategic process that provides for forecasting an organization’s senior leadership needs; identifying and developing candidates who have the potential to be future leaders; and selecting individuals from among a diverse pool of qualified candidates to meet executive resource needs. . . . Succession planning and management can help an organization become what it needs to be, rather than simply recreate the existing organization.

In addition, GAO reports that succession planning is also tied to the federal government's opportunity to change the diversity of its executives through new appointments.

Through interviews with agency officials, we found that the CFPB does not have an agency-wide or division-specific succession planning process. A senior OHC official stated that the CFPB has not developed a formal succession planning process because the agency is still developing its human capital infrastructure. As part of this effort, the CFPB has been establishing human capital policies and determining how to allocate and prioritize its resources. Other components of the agency's human capital infrastructure, such as a formal succession planning process, will take time to implement.

Without a formal succession planning process, the CFPB may not be able to ensure that it will have a sufficient number of qualified executives or will be able to retain high-performing staff in mission-critical positions. Further, a formal succession planning process could help ensure diversity in the CFPB's senior management.

Management Actions

In October 2014, the CFPB developed a *Succession Management Guide* that "will help structure succession planning implementation efforts across the Bureau, will ensure consistency, and will provide tools to gather data required to support succession discussions and decisions." According to an OHC official, the agency will use the guide to shape the design of the CFPB's succession planning process.

Recommendation

We recommend that the Chief Human Capital Officer, in coordination with division officials,

9. Develop and implement a formal succession planning process that promotes diversity in the CFPB's senior management and in mission-critical positions.

Management's Response

The Director of the CFPB concurs with our recommendation. In his response, the Director of the CFPB states that, as mentioned in our report, the CFPB has developed a *Succession Management Guide*. This guide is intended to be used in the CFPB's senior leadership's FY 2015 discussions on succession management. In addition, the CFPB has begun cohort-based leadership and supervisory development programs, as well as mandatory leadership excellence seminars for managers and supervisors at the 60-and-above pay grades.

OIG Comment

The actions identified by the Director of the CFPB are generally responsive to our recommendation. While we concur that the *Succession Management Guide*, CFPB senior leadership discussions, and leadership development programs are all part of a succession

planning process, we emphasize the need to formalize this process. As mentioned in our finding, succession planning is, among other things, a comprehensive, ongoing strategic process that provides for forecasting an organization's senior leadership needs. We plan to follow up with the OHC to ensure that our recommendation is fully addressed.

Employee Complaints

The CFPB has policies and procedures for each of its employee complaint processes, namely, EEO complaints, administrative grievances, and negotiated grievances. These processes give employees the opportunity to have their complaints heard, investigated, and redressed in a fair and equitable manner.

This section provides a summary of the applicable laws and regulations; the CFPB's processes; and demographic statistics for EEO and non-EEO complaints. Further, we summarize data quality problems that we found in the spreadsheets that the CFPB uses to track EEO complaints and negotiated grievances. In addition, prior to November 2014, the CFPB did not have a formal process to prevent duplicate filing of EEO and negotiated grievance complaints.

Applicable Laws and Regulations

EEO Complaints

The CFPB adheres to several laws and regulations related to its OEEEO and the processing of EEO complaints. In particular, title 29, part 1614, of the *Code of Federal Regulations* sets forth the responsibilities and guidelines for establishing and maintaining an EEO program in the federal government. These regulations implement the following:⁵¹

- the Equal Pay Act of 1963, which protects men and women who perform substantially equal work in the same establishment from sex-based wage discrimination⁵²
- the Civil Rights Act of 1964, which prohibits employment discrimination based on race, color, religion, national origin, sex, and prior EEO activity⁵³
- the Age Discrimination in Employment Act of 1967, which protects individuals who are 40 years of age or older from discrimination in the workplace⁵⁴

In addition, the Civil Service Reform Act of 1978 and the No FEAR Act are applicable to the CFPB. The Civil Service Reform Act of 1978 prohibits federal agencies from discriminating on the basis of race, color, religion, sex, national origin, age, disability, marital status, political

51. In addition to these laws, other laws and regulations that go beyond gender, race/ethnicity, and age also apply to the CFPB's EEO program.

52. Equal Pay Act of 1963, 29 U.S.C. § 206(d); 29 C.F.R. §§ 1620.1-1620.34.

53. Civil Rights Act of 1964 §§ 701-716, 42 U.S.C. §§ 2000e-2000e-17.

54. Age Discrimination in Employment Act of 1967, 29 U.S.C. §§ 621-634.

affiliation, whistleblowing, and other nonmerit factors.⁵⁵ The No FEAR Act requires agencies to post quarterly on their public website certain summary statistical data relating to EEO complaints filed against them under title 29, part 1614, of the *Code of Federal Regulations* and notify current and former employees and applicants for federal employment of their rights and protection against discrimination, retaliation, and whistleblower actions.⁵⁶

Non-EEO Complaints

Administrative Grievances

According to a CFPB Legal official, most federal agencies employ administrative grievance procedures for non-bargaining-unit employees pursuant to the requirements of title 5, part 771, of the *Code of Federal Regulations*. A CFPB Legal official explained that the Dodd-Frank Act granted the CFPB broad authority to “establish the general policies of the Bureau with respect to all executive and administrative functions, including the establishment of rules for conducting the general business of the CFPB, in a manner not inconsistent with the law.” The CFPB considers its *Open Door and Administrative Grievance Policy* to be consistent with the above provisions of the Dodd-Frank Act.

Negotiated Grievances

The CFPB’s negotiated grievance procedure follows title 5, section 7121, of the *United States Code*, and the applicable regulation. Specifically, this law establishes how management and the union address and resolve grievances identified by employees covered by the bargaining unit.

The CFPB’s Processes

EEO Complaints

If a current employee, former employee, or applicant (i.e., an aggrieved person) believes that he or she has been (1) discriminated against on the basis of race, color, religion, sex, national origin, disability, age, genetic information, sexual orientation, or parental status or (2) retaliated against for prior EEO activity, he or she may raise such complaint with the OEEO. The complaint begins in the informal process and may enter the formal process under certain circumstances. The OEEO’s processes and policies emphasize maintaining confidentiality throughout the EEO complaint process.

Informal EEO Complaints

An aggrieved person generally has 45 calendar days following an alleged discriminatory incident or, in the case of a personnel action, within 45 days of the effective date of the action,

55. Civil Service Reform Act of 1978, 5 U.S.C., §§ 2301-2306.

56. Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002, 5 U.S.C. § 2301 note; 5 C.F.R. part 724.

to contact the OEEO. An EEO specialist speaks with the aggrieved person to discuss the incident, explain the EEO process, and complete the CFPB EEO Intake Form. Next, the OEEO contacts the CFPB's procurement office to contract for EEO counselor services. The EEO counselor explains the aggrieved person's EEO rights and responsibilities. If the aggrieved person is an employee or former employee, the EEO counselor generally offers him or her a choice of EEO counseling or alternative dispute resolution (ADR).⁵⁷ If the aggrieved person selects counseling, the EEO counselor gathers information regarding the claims, addresses jurisdictional questions, responds to the aggrieved person's requested remedy, and issues a counselor's report. If ADR is selected, the OEEO contacts the CFPB's procurement office to obtain a contracted mediator. If the incident is not resolved through counseling or ADR, OEEO's policy is to instruct the aggrieved person on how to file a formal EEO complaint and notify him or her that he or she has 15 calendar days to file the complaint.

Formal EEO Complaints

The agency reviews the formal EEO complaint and determines whether the case should be dismissed for a procedural reason, such as the complaint not meeting the required time limits for notifying OEEO. If the agency accepts the complaint, the OEEO contacts the CFPB's procurement office to obtain EEO investigation services. After the investigation is completed and the results communicated, the aggrieved person can request a final decision from the agency or request a hearing from an EEOC Administrative Judge. If the aggrieved person disagrees with the outcome, he or she can appeal to the EEOC. In general, an aggrieved person must go through the above informal and formal processes before filing a lawsuit.⁵⁸

Non-EEO Complaints

If a CFPB employee has a complaint pertaining to issues including, but not limited to, harassment, unfair treatment, or performance, he or she may file one of two types of grievances, administrative or negotiated, depending on whether he or she is covered by the bargaining unit.

The CFPB did not have a policy in place for employees to submit non-EEO complaints until September 2012. In September 2012, the CFPB issued its *Open Door and Administrative Grievance Policy* that outlines procedures to review employees' employment-related concerns. From September 2012 to June 2013, the policy covered all employees. The CFPB's *Open Door and Administrative Grievance Policy* became applicable to only non-bargaining-unit employees after the NTEU began representing bargaining-unit employees in June 2013.

57. The CFPB does not typically offer ADR to applicants until the formal stage of the complaint process.

58. The employee can end the administrative complaint process at several points during the process and file a lawsuit in federal court. A federal lawsuit can be filed (1) after 180 days have passed from when the complaint was filed, if the agency has not issued a decision and no appeal has been filed; (2) within 90 days from the day the complainant receives the agency's decision on the complaint, if no appeal has been filed; (3) after 180 days from the day the complainant filed his or her appeal if the EEOC has not issued a decision; or (4) within 90 days from the day the complainant receives the EEOC's decision on the appeal.

Administrative Grievances

The CFPB's administrative grievance process applies to employees who are not covered by the bargaining unit. Before an employee files a formal grievance, the employee is encouraged to informally resolve concerns with the management officials who are believed to be responsible for the issue under grievance. Another option is for the employee to informally present concerns to the OHC's Employee and Labor Relations group. OHC officials will work with the appropriate management officials to resolve issues.

If an employee's concerns are not resolved informally, OHC officials are required to offer the employee an opportunity to engage in ADR through the involvement of a contractor. Participation in the ADR program is voluntary; once ADR proceedings have begun, parties may voluntarily opt out of an ADR proceeding at any point prior to resolution for any reason. If the parties reach an agreement, however, they may settle, provided the proposed agreement is lawful and enforceable.

The employee can initiate a formal grievance if he or she rejects ADR or fails to respond to the offer of ADR, or if the ADR process is terminated. The formal grievance process begins with an employee filing a formal complaint with Employee and Labor Relations, which is considered a step 1 grievance. The step 1 grievance includes the reason for the grievance and specific circumstances, as well as the requested remedy. A second-level management official will render a decision to Employee and Labor Relations, granting or denying the requested remedy. Employee and Labor Relations then provides the management official's decision to the employee.

If the employee is dissatisfied with the step 1 decision, the employee can file a step 2 grievance with Employee and Labor Relations. During the step 2 grievance process, new issues or remedies cannot be introduced. Employee and Labor Relations refers the grievance to the Administrative Grievance Review Panel. Panel members consist of those who are independent of the employee's chain of command and have no other conflicts of interest. The panel is composed of two management officials and two nonsupervisory staff and is evenly distributed between headquarters and regional personnel.⁵⁹ Employee and Labor Relations will notify all involved parties of the panel's decision.

Negotiated Grievances

The CFPB's negotiated grievance process applies to bargaining-unit employees. An employee may go to a union steward to communicate a grievance.⁶⁰ The union steward will then file the grievance with Employee and Labor Relations on behalf of the employee, and an attempt is made to informally resolve the grievance with management.

If the issue is not resolved informally, the employee can submit a formal grievance to Employee and Labor Relations. The formal grievance process consists of two steps. In step 1,

59. The OHC, in consultation with the Chief of Staff, designates the two management officials. The OHC also requests nominees for the two nonsupervisory staff who are voted onto the panel by nonsupervisory personnel if the nominees meet established criteria (e.g., *solid performer* performance rating and no disciplinary, adverse, or performance actions in the last two years). When requested by the panel, the OHC can also appoint technical experts who can provide technical advice regarding the grievance.

60. In October 2014, the CFPB established a "Grievance and Arbitration" article in its collective bargaining agreement with the NTEU.

the formal grievance is reviewed by a management official who provides the employee with his or her decision. If the employee is dissatisfied with the decision, the employee can proceed to step 2 and file a second formal grievance with Employee and Labor Relations. In this case, the step 2 grievance is reviewed by the step 1 management official's supervisor (or the supervisor's designee). During step 2, issues or remedies that were not presented in step 1 cannot be introduced. The step 2 management official renders his or her decision after the review is completed.

Demographic Statistics

EEO Complaints

The CFPB reported EEO complaint data for FY 2012 and FY 2013 in its *No FEAR Act Annual Report*. In FY 2012, 11 EEO complaints were filed, compared to 9 in FY 2013 (table 2).

Table 2: EEO Complaints Filed by Basis, FY 2011–FY 2013

Complaints by basis ^a	FY 2011	FY 2012	FY 2013
Total complaints^b	0	11	9
Basis			
Race	0	3	4
Color	0	2	0
Religion	0	2	2
Reprisal	0	3	4
Sex	0	3	4
Pregnancy	0	0	0
National origin	0	4	1
Equal Pay Act	0	0	1
Age	0	9	4
Disability	0	2	2
Genetic information	0	0	0
Non-EEO	0	1	1

Source: The CFPB's *No FEAR Act Annual Report FY 2012* and *No FEAR Act Annual Report FY 2013*.

^aBecause complaints can allege multiple bases, the sum of the bases may not equal the total number of complaints filed.

^bAccording to the CFPB's *No FEAR Act Annual Report FY 2012* and *No FEAR Act Annual Report FY 2013*, the 11 complainants in FY 2012 represented 1.13 percent of the CFPB's workforce and the 9 complainants in FY 2013 represented 0.67 percent of the CFPB's workforce.

The CFPB also reported that for closed EEO investigations, it reduced complaint processing times (i.e., the average number of days in investigation and in final action by the agency) from FY 2012 to FY 2013 (table 3).

Table 3: Complaint Processing Times, FY 2011–FY 2013

Complaint processing times	FY 2011	FY 2012	FY 2013
Average number of days in investigation	0	209	176
Average number of days in final action	0	58	26

Source: The CFPB's *No FEAR Act Annual Report FY 2013*.

Note: These data are for complaints pending for any length of time during the fiscal year associated with completed investigations only.

We did not review individual EEO complaint files because these case files may be part of ongoing EEO or personnel investigations or other legal proceedings. Further, we could not verify the accuracy and completeness of the CFPB's EEO complaint data by comparing the *No FEAR Act Report* to the agency's EEO complaint tracking spreadsheet. This issue is addressed in our finding below.

Non-EEO Complaints

No administrative complaints were filed in any of the years covered by this audit. By September 30, 2013, three months after the negotiated grievance process was available, 24 negotiated grievances were filed. Of these 24 grievances, 14 received an informal response within 30 days of filing the informal grievance. For the remaining 10, we could not determine the number of days between the informal grievance filing date and the informal response date due to missing data in the tracking spreadsheet. We did not review individual negotiated grievance files because these case files may be part of ongoing personnel investigations or other legal proceedings. Further, we could not verify the accuracy and completeness of the CFPB's negotiated grievance data by reviewing the negotiated grievance tracking spreadsheet. This issue is addressed in our finding below.

Finding: EEO Complaints Are Not Effectively Tracked or Monitored

While we recognize that the OEEEO was established in February 2013, we found that the CFPB's current EEO complaint tracking system does not permit the agency to effectively track or monitor EEO complaints. The tracking spreadsheet the OEEEO provided to the OIG was populated for FY 2013 but only partially populated for FY 2012.⁶¹ Further, the figures on the tracking spreadsheet differed from the numbers that were publicly reported in the CFPB's *No FEAR Act Reports* for FY 2012 and FY 2013. Specifically, the number of formal EEO cases reported in FY 2012 did not match the number in the spreadsheet. In FY 2013, the number of formal EEO cases reported matched the spreadsheet, but different issues were noted, such as differing numbers of complaints by basis (e.g., race or age). The CFPB's *No FEAR Act Reports* identified 11 new formal EEO complaints for FY 2012 and 9 new formal EEO complaints for FY 2013. We did not review the case files; therefore, we did not assess the accuracy and completeness of the agency's *No FEAR Act Reports*.

61. EEO data were tracked by Treasury for FY 2011 and FY 2012, the years Treasury managed the EEO process on behalf of the CFPB.

The No FEAR Act requires each federal agency to report annually on EEO complaint activity. Specifically, the annual report must provide information that includes year-end summary data related to EEO complaint activity; an analysis of trends, causation, and practical knowledge gained through experience; and actions planned or taken to improve complaint or civil rights programs. Additionally, the EEOC's MD-715 requires that agencies use a complaint tracking and monitoring system that permits the agency to identify the location, status, and length of time elapsed at each stage of the agency's complaint resolution process; the issues and the bases of the complaints; the aggrieved individuals; the involved management officials; and other information necessary to analyze complaint activity and identify trends. The MD-715 further requires agencies to identify, monitor, and report significant trends reflected in complaint processing activity.

The CFPB's current process does not ensure the accuracy and completeness of the EEO complaint data within the tracking spreadsheet. The tracking spreadsheet captures information on 30 separate attributes for each complaint, including the complaints' status, filing dates, and resolution, throughout the duration of the complaint. According to an OEEEO official, the *No FEAR Act Report* is populated with information directly from the case files. In our opinion, the partially populated tracking spreadsheet for FY 2012 and the differences between the tracking spreadsheet and the *No FEAR Act Report* indicate that the tracking spreadsheet may be unreliable and that additional internal controls are warranted. Finally, not being able to rely on the data in the tracking spreadsheet means that CFPB staff must compile data manually each time aggregated information must be reported, which is an inefficient use of resources and may result in inconsistent reporting.

Management Actions

An OEEEO official stated that the CFPB is transitioning from its current EEO complaint tracking spreadsheet to an internally developed EEO complaint tracking database. Further, CFPB officials stated that the CFPB is in the process of procuring a more robust system to track both EEO complaints and negotiated grievances.

Recommendations

We recommend that the Director of the OEEEO

10. Ensure the accuracy and completeness of EEO complaint data by
 - a. evaluating publicly reported No FEAR Act data and updating these data, if necessary.
 - b. reconciling, as necessary, the EEO complaint case files to the complaint data maintained in the tracking spreadsheet currently in use.

11. Ensure that any new database or complaint tracking system
 - a. facilitates efficient No FEAR Act reporting.
 - b. includes internal controls that are designed and implemented to ensure the accuracy and completeness of complaint data.

Management's Response

The Director of the CFPB concurs with our recommendations. In his response to recommendation 10, the Director of the CFPB states that the CFPB will request that the U.S. Department of the Treasury confirm the accuracy of FY 2012 CFPB EEO data and that the CFPB will reconcile any resulting differences. In addition, the OEEO has a *Draft Operations Manual and Processing Guide* that includes processes for data tracking. In December 2014, the OEEO began to reconcile its Excel tracking spreadsheet with case files. In addition, the OEEO drafted a standard operating procedure, *EEO Complaint Data-Monthly Reconciliation*, on January 28, 2015. In FY 2015, the CFPB will review and amend its FY 2013 No FEAR Act data reporting as necessary.

The Director of the CFPB states that recommendation 11 has been adopted. The acquisition of a commercial tracking system was approved by the CFPB in November 2014, and implementation is planned for the end of FY 2015. The Director of the CFPB states that the CFPB is planning to establish guidelines, develop training materials, and refine internal processes for accurate and complete data entry.

OIG Comment

The actions described by the Director of the CFPB appear to be responsive to our recommendations. We plan to follow up on the CFPB's actions to ensure that our recommendations are fully addressed.

Finding: Negotiated Grievances Are Not Effectively Tracked or Monitored

While we recognize that the NTEU and the CFPB established an interim agreement that primarily addressed grievance procedures for bargaining-unit employees in June 2013, the CFPB's current negotiated grievance tracking system does not permit the agency to effectively track or monitor negotiated grievances. Similar to the OEEO's process, the OHC's Employee and Labor Relations group maintains a tracking spreadsheet of all negotiated grievances. We found that of the 24 negotiated grievances filed in FY 2013, 14 grievances received an informal response within 30 days of filing the informal grievance. For the remaining 10 grievances, 3 did not have an informal response date on the spreadsheet, and the other 7 were noted as withdrawn or settled but did not indicate when in the process the withdrawal or settlement occurred.

As previously noted, the CFPB's negotiated grievance procedures follow title 5, section 7121, of the *United States Code*. However, the law does not explicitly require the tracking or

monitoring of negotiated grievances. In the absence of such requirements, GAO's *Standards for Internal Controls in the Federal Government* states that having effective information technology management is critical to achieving useful, reliable, and continuous recording and communication of information. The CFPB has not established internal controls to ensure the accuracy and completeness of the negotiated grievance data within the tracking spreadsheet. According to an Employee and Labor Relations official, the negotiated grievance case files must be referenced each time tracking, monitoring, and reporting is necessary because the tracking spreadsheet is unreliable.

As a result of insufficient controls related to the negotiated grievance tracking spreadsheet, the CFPB is unable to rely on the data in the spreadsheet. It must engage in a manual process that, in our opinion, is an inefficient use of resources and does not provide an effective means to monitor diversity trends.

Management Actions

CFPB officials stated that the CFPB is in the process of procuring a more robust system to track both EEO complaints and negotiated grievances.

Recommendations

We recommend that the Chief Human Capital Officer

12. Reconcile, as necessary, the negotiated grievance case files to the grievance data maintained in the tracking spreadsheet currently in use.
13. Design and implement the appropriate internal controls in the negotiated grievance tracking system to ensure the accuracy and completeness of grievance data.

Management's Response

The Director of the CFPB concurs with our recommendations. In his response, the Director of the CFPB states that the CFPB has adopted recommendation 12. On January 16, 2015, the CFPB approved a standard operating procedure, *Labor and Employee Relations Monthly Grievance Reconciliation*, which enhances the procedures for maintaining grievance data and also requires reconciliation of case files to the grievance data currently maintained in Excel. The Director of the CFPB states that the CFPB completed its reconciliation on January 6, 2015, and found that the CFPB's case files contained all the required documentation. In addition, the CFPB approved the acquisition of a commercial tracking system in November 2014, and implementation is planned for the end of FY 2015.

For recommendation 13, the Director of the CFPB states that the *Labor and Employee Relations Monthly Grievance Reconciliation* standard operating procedure provides sufficient controls to ensure data accuracy and completeness in the grievance tracking system.

OIG Comment

The actions described by the Director of the CFPB appear to be responsive to our recommendations. We plan to follow up on the CFPB's actions to ensure that the recommendations are fully addressed.

Finding: The CFPB Did Not Have an Effective Process to Prevent Duplicate Filing of EEO Complaints and Negotiated Grievances

We found that the OHC and the OEEO did not have an effective process to prevent duplicate filing of EEO complaints and negotiated grievances prior to November 2014. The OEEO provided complainants written information about the options for filing a complaint during EEO counseling but relied on complainants to self-identify the duplicate filing when submitting a formal complaint. The OHC's Employee and Labor Relations group did not have a process in place to prevent duplicate filing.

The CFPB follows title 29, part 1614, of the *Code of Federal Regulations*, which prohibits employees from filing a formal complaint of discrimination if the employee already initiated a grievance in writing under an agency's negotiated grievance procedure. Further, title 5, section 7121, of the *United States Code* prohibits employees from filing a negotiated grievance if the employee has already filed a formal EEO complaint.

An Employee and Labor Relations official stated that the NTEU is responsible for communicating with bargaining-unit employees the requirement to avoid duplicate filing of EEO complaints and grievances. In addition, an OEEO official stated that the OEEO relied on complainants to self-identify the duplicate filing after receiving information about their election decision during EEO counseling rather than discussing every complaint with Employee and Labor Relations, due to confidentiality concerns.

The filing of duplicate complaints results in an inefficient use of limited OEEO and Employee and Labor Relations resources and may lead to inaccurate reporting and data analysis. In addition, increased employee awareness of the effects of duplicate filing is important because the handling of the employee's complaint and its ultimate resolution depends on which filing was submitted first.

Management Actions

Subsequent to the period under our review, the OHC and the OEEO developed procedures that will allow the CFPB to determine whether the aggrieved employee first elected the negotiated grievance process or the EEO complaint process. These procedures were approved and became effective as of November 2014.

Recommendation

We recommend that the Director of the OEEEO, in coordination with the Chief Human Capital Officer,

14. Monitor the effectiveness of the OEEEO's newly created procedures that are designed to prevent duplicate filing of EEO complaints and negotiated grievances.

Management's Response

The Director of the CFPB concurs with our recommendation. In his response, the Director of the CFPB states that the CFPB has adopted recommendation 14 by implementing procedures to prevent the duplicate filing of formal EEO complaints and negotiated grievances. These procedures include clarifying with the NTEU the options that employees have and their associated potential consequences; the procedures also include an enhanced notice for employees filing an informal EEO complaint that details the employee's options under either the EEO process or the negotiated grievance process. In November 2014, the CFPB formally documented the process in a standard operating procedure, *Election of Negotiated Grievance or EEO Complaint Procedures*. The Director of the CFPB states that to date, the agency has not identified any instances in which an EEO complaint and a negotiated grievance that raised the same issue were inappropriately processed.

OIG Comment

The actions described by the Director of the CFPB appear to be responsive to our recommendation. We plan to follow up on the CFPB's actions to ensure that the recommendation is fully addressed.

Employee Satisfaction Surveys

According to GAO, involving employees in diversity management efforts helps drive diversity throughout an organization. Employee surveys provide an opportunity for employees to share with management their perceptions of the agency's diversity and inclusion efforts, culture, and work environment.

This section presents information on the employee satisfaction surveys process, including a summary of the applicable laws and regulations; the CFPB's process; and demographic statistics for the CFPB's New Employee Survey, Annual Employee Survey, and Employee Exit Survey.

Applicable Laws and Regulations

The CFPB conducts its Annual Employee Survey in accordance with applicable provisions of the National Defense Authorization Act for Fiscal Year 2004 and its implementing regulation.⁶² Specifically, title 5, part 250, of the *Code of Federal Regulations* requires executive agencies to

- survey employees on an annual basis
- include a set of 40 standard survey questions and response choices and 5 demographic questions and response choices
- define the set of key terms used in the survey, such as *supervisors* and *team leads*

There are no other applicable laws and regulations requiring the CFPB to conduct employee satisfaction surveys.

The CFPB's Processes

The CFPB conducts routine surveys of its employees through its New Employee Survey, its Annual Employee Survey, and its Employee Exit Survey. Over the course of employees' first year at the CFPB, they are periodically surveyed on the hiring and orientation process and on their socialization. Additionally, the CFPB conducts an annual survey of its employees to assess employee satisfaction as well as leadership and management practices that contribute to agency performance. Finally, the CFPB surveys employees separating from the CFPB to determine the main reason the employee is leaving the agency as well as to identify key organizational factors that impact voluntary turnover. OPM administers these surveys on

62. National Defense Authorization Act for FY 2004, Pub. L. No. 108-136, 117 Stat. 1391, 1641, codified at 5 U.S.C. § 7101 note; implementing regulations at 5 C.F.R. part 250, including specific requirements for Annual Employee Surveys.

behalf of the CFPB and provides the CFPB with summary-level results via an online database and additional formal reports.⁶³

New Employee Survey

OPM began administering the CFPB's New Employee Survey in the fourth quarter of FY 2011. OPM sends four surveys to CFPB employees during their first year at the agency. The first survey is on the hiring process and orientation. The remaining three surveys, conducted at the 3-, 6-, and 12-month milestones, are on the employee's socialization into the CFPB. To protect respondents' identities, OPM only reports results for groups with more than five respondents. The OHC issues internal quarterly reports on the results of the survey that provide analysis of trends in the hiring, orientation, and initial socialization processes. According to one OHC employee, the results of the New Employee Surveys allow for real-time monitoring and are shared with the OHC, the OEEO, and OMWI to help inform changes to existing processes.

Annual Employee Survey

OPM began administering an annual survey to CFPB employees in FY 2012. The Annual Employee Survey covers topics such as recruitment, development, and retention; clarity of employee performance standards and expectations; and job satisfaction. The survey also includes OPM-identified questions that measure workplace inclusion. To protect respondent confidentiality, OPM only reports results for groups of 10 or more respondents. The OHC issues an annual report on the results of each survey that assesses strengths and challenges at the agency, division, and office levels. The OHC report also assesses the CFPB's results against the governmentwide results, as reported in OPM's annual governmentwide Federal Employee Viewpoint Survey.⁶⁴

According to CFPB officials, in FY 2014, the OHC, the OEEO, and OMWI collaborated to analyze the Annual Employee Survey data to determine whether differences in perceptions by demographic group existed. Following this analysis, the OHC briefed CFPB senior leadership, division officials, employees, and the NTEU on the FY 2013 survey results. Additionally, we learned from our interviews with CFPB officials that they are working to address issues in areas such as communications, performance feedback, diversity, mentoring, training, and employee empowerment that were identified through the FY 2013 Annual Employee Survey.

Employee Exit Survey

OPM began administering the CFPB's Employee Exit Survey in FY 2012. To protect respondents' identities, OPM only reports results for groups with more than five respondents.

63. The CFPB contracted with OPM to conduct all three employee surveys (annual, new employee, and exit) in FY 2012, FY 2013, and FY 2014. The CFPB did not have an annual survey or an exit survey in FY 2011.

64. The Federal Employee Viewpoint Survey is a tool administered by OPM to measure employees' perceptions of whether and to what extent conditions that characterize successful organizations are present at federal agencies. The survey also provides general indicators of how well the federal government is running its human capital systems.

The OHC issues internal quarterly reports that analyze trends related to employee separations. In addition, an OHC official stated that survey results are provided to OMWI and the OEEO.

Demographic Statistics

New Employee Survey

Table 4 shows the degree to which new employees responded positively to questions dealing with agency culture and performance management. New employees who strongly agreed or agreed that they fit in well with the culture at the CFPB fell from 86 percent in the first month of employment to 74 percent at the one-year mark—a drop of 12 percentage points. After a year on the job, 74 percent of employees agreed or strongly agreed that they knew what they had to do to be successful at their job.

Table 4: New Employee Survey Responses to Selected Questions, Fourth Quarter FY 2013

Survey questions	1 month ^a	3 month ^a	6 month ^a	12 month ^a
I know what I have to do to be successful in my job.	63	70	73	74
I think I fit in well with the people here.	92	91	78	81
I think I fit in well with the culture here.	86	86	75	74

Source: CFPB, “CFPB New Employee Survey: Socialization Results FY2013 Q4 (July-September).”

^aPercent strongly agreeing or agreeing.

Annual Employee Survey

In FY 2013, OMWI analyzed the responses to 20 survey questions in its Annual Employee Survey to measure employee perceptions of workplace inclusion at the CFPB.⁶⁵ Further, OMWI compared the CFPB’s results related to workplace inclusion against the governmentwide results. The questions on workplace inclusion in the annual survey measure employee perceptions about the extent to which an agency’s environment embodies the following characteristics:

<u>Characteristic</u>	<u>Questions</u>
Fair	five questions that identify fairness in performance evaluations, rules, and procedures
Open	four questions that identify whether diversity and inclusion are promoted by the agency or its managers
Cooperative	two questions that identify whether managers promote communication and support collaboration

65. OPM developed an inclusion index, which is calculated from a set of 20 questions in its annual survey of federal agencies. These questions are also included in the CFPB’s Annual Employee Survey.

Supportive	five questions that identify management and leadership style
Empowered	four questions that identify participation in decisionmaking

As shown in table 5, OMWI’s analysis indicated that the CFPB scored higher in each of the inclusion categories than the governmentwide average presented in OPM’s Federal Viewpoint Survey.

Table 5: OMWI’s Analysis of Governmentwide and CFPB Inclusion Indexes, FY 2013^a

Inclusion categories	Governmentwide inclusion score	CFPB overall inclusion score
Fair	44%	52%
Open	56%	66%
Cooperative	55%	67%
Supportive	74%	80%
Empowered	59%	62%

Source: OMWI analysis of data from the CFPB’s Annual Employee Survey and OPM’s Federal Viewpoint Survey.

^aThe indexes were calculated from respondents’ answers to the questions in each inclusion category. Each question provided respondents with the option of selecting *strongly agree*, *agree*, *neither agree nor disagree*, *disagree*, *strongly disagree*, or *do not know*.

Employee Exit Survey

The CFPB conducts an exit survey for employees leaving the agency. Separations from the CFPB for reasons other than retirement increased from 17 employees in FY 2011, the first year of the agency’s operations, to 106 employees in FY 2013. Of the 96 employees who took the survey from March 2012 to September 2013, 7 percent cited concerns with diversity as an important reason for leaving and 5 percent cited discrimination as an important reason for leaving.⁶⁶ The OHC stated in an internal report that “although the goal remains to reduce these perceptions toward zero, consistently low values for these questions are viewed as a positive result.” According to an OHC official, OMWI and the OEEO use the information to enhance their understanding of and ability to address these types of concerns. For additional details on employee separations, see appendix H.

66. During this period, 225 employees were invited to take the exit survey. The survey was first administered in March 2012.

Office of Minority and Women Inclusion

As required by the Dodd-Frank Act, the CFPB established its OMWI in January 2012 to be responsible for all matters of the agency relating to diversity in management, employment, and business activities. The Director of OMWI was appointed in April 2012 and began holding periodic meetings with the OHC, the OEEO, and senior division officials to monitor the CFPB's efforts to increase diversity throughout the agency's workforce, including senior management. Discussion topics for these meetings included demographic trends and hiring needs.

In May 2013, OMWI contracted with a consulting firm to assess the state of diversity and inclusion at the CFPB as a means to inform OMWI's strategic planning process. This assessment included analyzing CFPB demographic data, conducting interviews, and leading focus-group discussions. In September 2013, the consulting firm provided OMWI with the results of its assessment, which included findings and recommendations addressing areas such as hiring, promotions, and performance management. OMWI is tracking the status of the findings and recommendations, including details of the CFPB's responsive actions. As of June 2014, OMWI officials stated that of the 61 recommendations made by the consulting firm,

- 15 had been completed
- 27 had ongoing actions
- 12 were accepted, but no actions had been taken
- 7 were not accepted

OMWI also analyzed the responses to a set of 20 survey questions on the FY 2013 Annual Employee Survey that were designed by OPM to measure employee perception as it relates to workplace inclusion. These survey questions are also included in OPM's annual Federal Employee Viewpoint Survey, which enabled OMWI to compare the CFPB's results to governmentwide results, as noted in the Employee Satisfaction Surveys, Demographic Statistics section of this report.

OMWI has provided nonmandatory diversity training for employees through periodic training sessions led by an outside diversity and inclusion expert.⁶⁷ OMWI also offered hiring managers training that focused on managing unconscious bias throughout the hiring process. According to a CFPB official, diversity and inclusion were also discussed at the CFPB's all-staff meeting in July 2014. This official also stated that OMWI is considering the development of advanced-level diversity training.

The Director of the CFPB elevated OMWI from the Operations division to the Office of the Director in April 2014. In addition, the Director of the CFPB charged OMWI with leading a series of staff listening sessions to identify employee perceptions of fairness, equality, diversity, and inclusion at the CFPB and to report on findings and recommendations. The results of OMWI's listening sessions were summarized in an August 2014 report that

67. The OEEO provides EEO training on compliance issues related to diversity and inclusion, such as annual No FEAR Act training and harassment prevention training.

identifies employee concerns and describes the CFPB's approach to address those concerns. The report identifies themes related to employee concerns, including the need for

- a better-defined work structure and management process
- fairness in opportunities, with specific focus on fairness in promotion
- accountability of managers and supervisors
- consistency in performance management and access to training opportunities
- definition of long-term CFPB culture with specific focus on organizational values beyond its initial startup culture and the need to address perceived favoritism and personal networks as sources for assignments, recruiting, and promotion

In May 2014, OMWI developed a draft of its FY 2014 to FY 2017 *Office of Minority and Women Inclusion Strategic Plan*, which outlines the strategic goals, objectives, strategies, and action items that define OMWI's roles and responsibilities related to diversity and inclusion. The draft strategic plan defines OMWI's mission as follows:

[t]o foster a diverse and inclusive work environment that ensures equal employment and advancement opportunity for all employees, facilitates increased participation of women-owned and minority-owned businesses in Bureau procurement, and to work with regulated agencies to assess their ability to foster a diverse, inclusive and fair environment within their organizations.

OMWI also recently created the Executive Advisory Council and is in the process of creating an employee workgroup called the Diversity and Inclusion Working Group; the council and the workgroup will collaborate with each other and with OMWI on diversity and inclusion issues. The role of the Executive Advisory Council is to help integrate diversity and inclusion into the CFPB's operations and to provide guidance to the Director of the CFPB and other senior leaders. The council will also help to shape the strategic direction of the employee workgroup. The Diversity and Inclusion Working Group will include CFPB employees from all divisions and from all the regions as well as headquarters. The workgroup will provide a platform for considering employee ideas, implementing agency-wide initiatives, and providing feedback to leadership regarding diversity and inclusion efforts at the CFPB.

We assessed OMWI's compliance with relevant requirements of the Dodd-Frank Act and found that OMWI complies with 9 of the 10 requirements, as shown in table 6. Specifically, OMWI issued its annual report to Congress for calendar year 2012 and 2013, which included information required by the Dodd-Frank Act, and took affirmative steps to seek diversity in the CFPB's workforce through a variety of outreach activities. However, the Director of OMWI had not developed standards for equal employment opportunity and the racial, ethnic, and gender diversity of the workforce and senior management of the agency.

Table 6: The CFPB’s Compliance With Relevant OMWI Requirements of Section 342 of the Dodd-Frank Act^a

Relevant ^a OMWI requirements applicable to the CFPB	Fully satisfies	Does not satisfy
The Director of each Office shall be appointed by, and shall report to, the agency administrator	✓	
Each Director shall develop standards for equal employment opportunity and the racial, ethnic, and gender diversity of the workforce and senior management of the agency		✓
Each Office shall submit to Congress an annual report regarding the actions taken by the agency and the Office pursuant to this section, which shall include		
the successes achieved and challenges faced by the agency in operating minority and women outreach programs	✓	
the challenges the agency may face in hiring qualified minority and women employees	✓	
any other information, findings, conclusions, and recommendations for legislative or agency action, as the Director determines appropriate	✓	
Each agency shall take affirmative steps to seek diversity in the workforce of the agency at all levels of the agency in a manner consistent with applicable law. Such steps shall include		
recruiting at historically black colleges and universities, Hispanic-serving institutions, women’s colleges, and colleges that typically serve majority minority populations	✓	
sponsoring and recruiting at job fairs in urban communities	✓	
placing employment advertisements in newspapers and magazines oriented toward minorities and women	✓	
partnering with organizations that are focused on developing opportunities for minorities and women to place talented young minorities and women in industry internships, summer employment, and full-time positions	✓	
any other mass media communications that the Office determines necessary	✓	

Source: OIG analysis of the calendar year 2012 and 2013 *Office of Minority and Women Inclusion of the Consumer Financial Protection Bureau* annual reports, OIG interviews with OMWI officials, and OIG review of section 342 of the Dodd-Frank Act.

^aWe only analyzed Dodd-Frank Act requirements that pertained to the scope of our audit.

Finding: The CFPB Has Not Implemented OPM's Government-Wide Diversity and Inclusion Strategic Plan

We found that the CFPB has not implemented OPM's *Government-Wide Diversity and Inclusion Strategic Plan*. OPM's strategic plan includes three goals that OPM states are necessary for the successful growth of diversity and inclusion.⁶⁸ The strategic plan also includes diversity and inclusion best practices, such as leadership, accountability, measurement, and training.

Executive Order 13583, *Establishing a Coordinated Government-Wide Initiative to Promote Diversity and Inclusion in the Federal Workforce*, requires executive agencies to implement OPM's *Government-Wide Diversity and Inclusion Strategic Plan*. The OPM plan states that it provides a shared direction, encourages commitment, and creates alignment to allow agencies to approach their workplace diversity and inclusion efforts in a coordinated, collaborative, and integrated manner.

The CFPB has developed a draft diversity and inclusion strategic plan that would satisfy the requirement to implement OPM's *Government-Wide Diversity and Inclusion Strategic Plan*, but it has yet to be finalized. OMWI has taken some actions to support goals identified in this draft plan. For example, OMWI contracted with a consulting firm to analyze the CFPB's applicant flow data. OMWI also analyzed the CFPB's FY 2013 Annual Employee Survey results to examine how each division compares to the overall CFPB results, as well as the governmentwide average. Additionally, OMWI recently created the Executive Advisory Council and is in the process of creating an employee workgroup called the Diversity and Inclusion Working Group. Implementation of the draft diversity and inclusion strategic plan would better enable OMWI to define its roles and responsibilities related to diversity and inclusion at the CFPB. In addition, the plan can provide a base for measuring progress and can ensure the most effective use of OMWI's resources.

Recommendation

We recommend that the Director of OMWI

15. Implement the CFPB's diversity and inclusion strategic plan, which would satisfy the requirement to implement OPM's *Government-Wide Diversity and Inclusion Strategic Plan*.

Management's Response

The Director of the CFPB concurs with our recommendation. In his response, the Director of the CFPB states that the draft OMWI diversity and inclusion strategic plan will be formalized by June 30, 2015, and that implementation of this plan will occur on an ongoing basis. Results will be reported in OMWI annual reports beginning in 2016.

68. The three OPM goals are (1) to recruit from a diverse, qualified group of potential applicants to secure a high-performing workforce drawn from all segments of American society; (2) to cultivate a culture that encourages collaboration, flexibility, and fairness to enable individuals to contribute to their full potential and further retention; and (3) to develop structures and strategies to equip leaders with the ability to manage diversity, be accountable, measure results, refine approaches on the basis of such data, and engender a culture of inclusion.

OIG Comment

The actions described by the Director of the CFPB appear to be responsive to our recommendation. We plan to follow up on the CFPB's actions to ensure that the recommendation is fully addressed.

Finding: The CFPB Has Not Developed Formal Standards for Equal Employment Opportunity and Racial, Ethnic, and Gender Diversity

We found that OMWI has engaged in several activities that address equal employment opportunity and the diversity of the CFPB's workforce. Such activities include targeted recruitment efforts and guidance to hiring managers on structured interviews, EEO hiring principles, and other best practices. However, the Director of OMWI has not developed standards for equal employment opportunity and racial, ethnic, and gender diversity of the workforce and senior management of the agency, as required by section 342(b)(2)(A) of the Dodd-Frank Act. According to an OMWI official, because of competing priorities and limited available resources, OMWI is relying on standards established by the EEOC and OPM while it meets other high-priority Dodd-Frank Act requirements.

By not establishing formal standards for equal employment opportunity and racial, ethnic, and gender diversity of the workforce and senior management, the CFPB has not fully addressed the requirements under section 342 of the Dodd-Frank Act. Additionally, OMWI may be unable to evaluate its effectiveness in promoting equal employment opportunity and the racial, ethnic, and gender diversity of the workforce and senior management.

Recommendation

We recommend that the Director of OMWI

16. Formalize as a policy statement the standards on which OMWI relies for equal employment opportunity and the racial, ethnic, and gender diversity of the workforce and senior management of the agency.

Management's Response

The Director of the CFPB concurs with our recommendation. In his response, the Director of the CFPB states that a policy statement on the standards will be formalized by June 30, 2015. The CFPB follows baseline standards established by the EEOC for equal employment opportunity, as well as baseline standards and guidance for workforce diversity established by OPM.

OIG Comment

The actions described by the Director of the CFPB appear to be responsive to our recommendation. We plan to follow up on the CFPB's actions to ensure that the recommendation is fully addressed.

Finding: Diversity Training Is Not Mandatory

We found that CFPB employees were not required to attend diversity and inclusion training. OMWI has provided nonmandatory diversity training for employees through periodic training sessions led by an outside diversity and inclusion expert. OMWI also provides hiring managers with nonmandatory training that focuses on managing unconscious bias throughout the hiring process. According to a CFPB official, OMWI is developing advanced-level diversity training for supervisors and senior managers, which will be deployed in 2015.

GAO's Diversity Management: Expert-Identified Leading Practices and Agency Examples identifies diversity training as a leading diversity management best practice. This training can help an organization's management and staff increase their awareness and understanding of diversity as well as help them develop concrete skills to assist them in communicating, increasing productivity, and working effectively in a diverse organization. The GAO report states that the effectiveness of diversity training efforts should be evaluated to help decisionmakers manage scarce resources and help agencies improve results.

An OMWI official indicated that diversity and inclusion training would continue to be provided, but a decision has not been made to make the training mandatory. Given the nonmandatory nature of diversity training sessions, employees may not learn how diverse perspectives can improve organizational performance or learn ways to communicate effectively with diverse groups.

Management Actions

An OMWI official stated that the CFPB has made additional efforts to address diversity and inclusion training. Specifically, the agency included the topics of diversity and inclusion in its mandatory all-staff meeting. Additionally, a diversity and inclusion workshop training program has been initiated for all supervisors and senior managers based on the findings and recommendations resulting from OMWI's listening sessions. Finally, the CFPB is exploring options for more advanced diversity training that will be offered to all employees.

Recommendation

We recommend that the Director of OMWI

17. Ensure that diversity and inclusion training
 - a. is mandatory and provided to all employees and supervisors on a regular basis.
 - b. is evaluated for effectiveness using performance metrics and that the results are incorporated into the training, as needed.

Management's Response

The Director of the CFPB concurs with our recommendation. In his response, the Director of the CFPB states that in January 2015, he signed a decision memorandum that requires mandatory diversity training for all employees. The Director of the CFPB also states that diversity and inclusion training for managers and supervisors is available and that attendance at these sessions will continue to be strongly encouraged. OMWI is also planning to provide additional diversity and inclusion training for all employees. The CFPB plans to evaluate all diversity and inclusion training through questionnaires and surveys, as well as performance metrics in the annual employee survey, strategic plan, and individual performance plans. The CFPB plans to incorporate the results of these evaluations into the training as appropriate. Results will be reported in OMWI annual reports beginning in 2016.

OIG Comment

The actions described by the Director of the CFPB appear to be responsive to our recommendation. We plan to follow up on the CFPB's actions to ensure that the recommendation is fully addressed.

Summary of Findings

According to GAO, an agency with a diverse workforce that includes minorities and women in key positions benefits from multidisciplinary knowledge and skills that can help the organization better accomplish its mission and goals and increase innovation.⁶⁹ An agency that effectively manages its employees provides for equal opportunities, which is essential to attracting, developing, and retaining the most qualified workforce. GAO further states that when an organization's top leaders demonstrate the importance of diversity and inclusion initiatives, a clear message is sent about the organization's commitment to diversity management.

The CFPB has taken steps to enhance its diversity and inclusion practices, including, but not limited to, contracting with third-party consulting firms to review its major human capital processes (e.g., performance management, hiring, promotions, and compensation); elevating OMWI and the OEEO to the Office of the Director; conducting listening sessions with its employees to identify and respond to perceptions of fairness, equality, and inclusion at the CFPB; and creating the Executive Advisory Council, the Diversity Hiring Working Group, and the Diversity and Inclusion Working Group to work on diversity and inclusion issues. The CFPB has also conducted data analysis related to diversity and inclusion, such as its internal analysis of its FY 2013 performance ratings and its identification, monitoring, and reporting of significant trends in complaint processing activity as part of its annual MD-715 reporting.

We identified four areas in which additional actions could be taken to enhance the effectiveness of the CFPB's diversity and inclusion efforts.

Training—By not requiring employees to attend training on performance management and diversity and inclusion, the CFPB risks supervisors and senior managers implementing related policies and managing employees in an inconsistent manner. In addition, an increased awareness and understanding of diversity among staff, supervisors, and senior managers can improve communication, employee productivity, and organizational performance.

Data Quality and Monitoring Trends—Data quality issues exist in the CFPB's tracking spreadsheets for both EEO complaints and negotiated grievances. As a result, the CFPB may be relying on inaccurate data to identify and analyze trends and may have an increased risk of reporting incorrect information. Further, we found that when trend data were available for performance management, the CFPB missed opportunities to analyze certain data for potential diversity and inclusion issues.

Supervisors' and Senior Managers' Accountability for Diversity and Inclusion—A diversity and inclusion strategic plan has been developed, but not implemented, that includes diversity and inclusion best practices such as leadership and accountability.

69. U.S. Government Accountability Office, *Diversity Management: Trends and Practices in the Financial Services Industry and Agencies after the Recent Financial Crisis*, GAO-13-238, April 2013.

Further, supervisors' and senior managers' performance assessments do not specifically require them to take steps in support of the CFPB's diversity and inclusion initiatives. Additionally, supervisors are not consistently implementing the CFPB's performance management policies, such as the requirement to provide counseling for employees at risk of falling below the acceptable level of performance. Tying supervisors' and senior managers' performance ratings to their diversity and inclusion efforts should help ensure that all employees, including minorities and women, have equal opportunities for advancement.

Succession Planning—A formal succession planning process could help the CFPB ensure that it will have a sufficient and diverse pool of candidates for its executive positions and mission-critical positions. Specifically, succession planning can help the CFPB diversify its executive workforce by forecasting senior leadership needs; identifying and developing candidates for future leadership positions; and selecting individuals from among a diverse pool of qualified candidates.

It is important to note that while our report focuses on specific CFPB diversity and inclusion initiatives and human resources-related activities, initiatives and activities that are beyond the scope of our review also contribute to enhancing diversity and inclusion principles. Additionally, for the purposes of our review, we focused on diversity in gender, race/ethnicity, and age, which are only three individual attributes that contribute to the diversity of an organization's workforce. In considering the factors that impact diversity and inclusion, the CFPB should continue to incorporate GAO's nine leading diversity management practices.

Appendix A

Congressional Request Letter

JEB HENSARLING, TX, CHAIRMAN

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

MAXINE WATERS, CA, RANKING MEMBER

March 24, 2014

Inspector General Mark Bialek
Board of Governors of the Federal Reserve System
Office of Inspector General
20th and C Streets N.W.
Mail Stop 300
Washington, D.C. 20551

Dear Inspector General Bialek:

We are concerned about recent allegations that managers at the Consumer Financial Protection Bureau (CFPB) have shown a pattern of ranking white employees distinctly better than minority employees in performance reviews, as reported in a recent *American Banker* article entitled, "CFPB Staff Evaluations Show Sharp Racial Disparities," on March 6, 2014.

We request that the Office of Inspector General (OIG) immediately exercise its independent oversight authority over the Bureau's operations, to detect whether any personnel practices and policies have created an unfair or discriminatory workplace for minorities and women employed at the CFPB. In doing so, we request that the OIG examine CFPB's performance appraisal process, specifically answering the following questions:

- (1) Does the Bureau have procedures in its appraisal process to ensure management is identifying potential bias?
- (2) Is the Bureau taking appropriate action to address those biases before finalizing appraisals?
- (3) How does the Bureau handle employee complaints related to personnel practices and policies, either made through informal or formal channels, regardless of whether they are from employees with bargaining or non-bargaining status?
- (4) What actions has the Bureau taken to address the results of this or any other employee satisfaction survey, whether conducted by the Bureau or an outside entity?

We also request more detailed information about the role of the Bureau's Office of Minority and Women Inclusion (OMWI) in dealing with these matters. In particular, we request a review of whether the OMWI has been involved in the CFPB's appraisal process, complaint handling process and employee satisfaction surveys – as well as information about how the OMWI could help address these issues going forward.

If the OIG identifies any individuals or groups of individuals who have exhibited discriminatory behaviors or patterns of unfair or unequal treatment, we ask that the OIG provide recommendations about appropriate actions, including remedial training or removal from employment with the Bureau.

Inspector General Mark Bialek
Page Two
March 24, 2014

We also request that the OIG monitor the Bureau's responses and corrective actions with regard to employee compensation packages, rating systems, and hiring and retention activities, to ensure that the CFPB exhibits workforce diversity and inclusivity both in its senior management level and in each of its six divisions of responsibility.

As noted in the GAO 2013 GAO ("Diversity Management: Trends and Practices in the Financial Services Industry and Agencies after the Recent Financial Crisis" GAO-13-238) report that listed nine leading diversity practices, top leadership commitment was the critically important factor to fostering diversity and inclusion. Any Federal agency that does not embrace the principles of fairness and equality internally cannot credibly pursue those principles externally. The Bureau's statutory mission is to implement and enforce federal consumer financial laws, to ensure that all consumers have access to fair, transparent, and competitive markets for consumer products and services. Given the mission of the CFPB, its workplace should serve as a model by which both regulated entities and other financial regulatory agencies are measured. Allegations of discriminatory behavior at the Bureau, in perception or practice, must be investigated thoroughly to ensure that no individual, coalition or group of individuals undermines the agency's vital mission of ensuring the fair and equitable treatment of consumers from all backgrounds.

Sincerely,

Allyne Walter



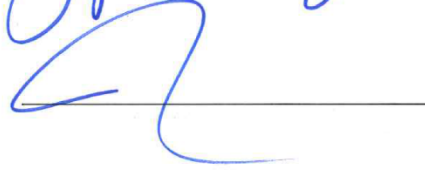
Cathy B. Myers

Emanuel Quinn

Kyle S.

Joseph Beatty

Denny Hoch



Ed Palante

Appendix B

Scope and Methodology

The overall objective for this audit was to assess the CFPB’s human resources–related activities and other efforts to provide for equal employment opportunities, including equal opportunity for minorities and women to obtain senior management positions, and increase racial, ethnic, and gender diversity in the workforce.

We gained an understanding of the CFPB human resources–related activities covered in this report, which include recruiting and hiring, performance management, promotions and succession planning, EEO complaints, non-EEO complaints, and employee satisfaction surveys, by reviewing relevant CFPB policies and procedures and interviewing OMWI, OEEEO, and OHC officials. Throughout the course of the audit, we held more than 30 meetings with CFPB management and human resources–related staff to discuss topics such as key personnel, roles and responsibilities, systems and applications, and policies and procedures.

We identified applicable laws and regulations for each of the human resources–related activities within our scope by compiling a list of relevant laws and regulations cited in the CFPB’s policies and procedures and in communications with CFPB officials. Once we identified the applicable laws for each area, we judgmentally selected one law or regulation per human resources–related activity to test for compliance. We based our judgmental selections on our understanding of the scope of the applicable laws and regulations and selected the law or regulation that provided a framework for agencies in conducting that particular activity. We tested the CFPB’s policies and procedures for compliance with the following laws and regulations:

- **Hiring**—title 5, *Code of Federal Regulations*, part 300
- **Performance management**—title 5, *Code of Federal Regulations*, part 430
- **Promotions**—title 5, *Code of Federal Regulations*, part 335
- **EEO complaints**—title 29, *Code of Federal Regulations*, part 1614
- **Negotiated grievances**—title 5, *United States Code*, section 7121
- **Employee satisfaction surveys**—title 5, *Code of Federal Regulations*, part 250
- **OMWI**—title 12, *United States Code*, section 5452

We did not conduct compliance testing for any laws or regulations related to administrative grievances, as the CFPB established its *Open Door and Administrative Grievance Policy* in the absence of any legal or regulatory requirements for this particular activity.

In addition, we reviewed relevant CFPB policies and procedures to identify internal controls that may prevent or detect bias or discrimination. We selected 10 internal controls to test for operational effectiveness in the following human resources–related activities: performance management, non-EEO complaints, and EEO complaints.⁷⁰ For these 10 internal controls, we tested the entire population for 5 controls. For the other 5 controls, the CFPB did not have

70. To avoid duplication of effort, we did not test internal controls related to hiring or promotions, as an ongoing OIG evaluation is examining these areas. Additionally, we did not test internal controls related to the administration of and reporting on employee satisfaction surveys, as OPM is the responsible party for implementing these internal controls.

sufficient documentation to support sample or population testing; thus, we reviewed any documentation the CFPB had related to the controls and obtained statements from officials on how the CFPB performs the selected controls. The results of the internal control testing supported some of the findings in this report.

We collected data from the CFPB associated with each of the human resources–related activities covered in this report, including workforce demographics, hiring, performance management, promotions, EEO complaints, non-EEO complaints, employee satisfaction surveys, and separations. We evaluated the data to ensure that they were reliable for the purposes of our audit. As part of our data reliability evaluation, we observed a CFPB official extract the data provided to us from the CFPB’s system of record for all of the human resources–related activities except for hiring, EEO complaints, and non-EEO complaints. In the case of the hiring data, the CFPB provided screen shots of the queries it used to extract the data, as this data extraction was expected to take an extended amount of time. In the case of both the EEO complaint data and the non-EEO complaint data, the CFPB provided the tracking spreadsheets used to track this information.

With the exception of hiring, survey, EEO complaint, and non-EEO complaint data, all the data that we reviewed are maintained in the U.S. Department of Agriculture’s National Finance Center system. Hiring data are maintained in Treasury’s CareerConnector system, and employee survey data are maintained in an OPM system. EEO and non-EEO complaint data are maintained by the CFPB. To gain an understanding of the National Finance Center system and to confirm that no data reliability issues existed, we reviewed relevant audit reports on the internal controls at the National Finance Center.

In addition, we performed our own data reliability analysis for all the data we used in the audit. Our analysis included reviewing the data for anomalies, such as duplicate entries. After we determined that the data were reliable for the purposes of our audit, we analyzed the data based on gender, race/ethnicity, age, and bargaining-unit status, where possible.

We examined workforce demographics agency-wide and by pay grade. We also compared the workforce demographics data to the ACS data published by the U.S. Census Bureau. We then examined the demographics of the applicants processed during each phase of the CFPB’s hiring process. For performance management, we coordinated with the OIGs of four of the other federal financial regulatory agencies who had received a similar congressional request to use the services of an external consulting firm. The external consulting firm analyzed on an agency-wide basis the CFPB’s FY 2012 and FY 2013 performance ratings by gender, race/ethnicity, and age, as well as by bargaining-unit status. For details on the external consulting firm’s analysis, see appendix E. In addition, we conducted an internal analysis of the performance ratings by division and duty-station location. Finally, we analyzed noncompetitive promotions; EEO complaints; non-EEO complaints; employee satisfaction surveys, which included annual employee, new employee, and exit survey results; and separations.

We assessed the efforts of CFPB management to respond to complaints, employee satisfaction survey results, or other potential indications of bias and to increase diversity in management. We reviewed documentation provided by CFPB officials related to efforts the CFPB has taken since the end of FY 2013 to respond to potential indicators of bias, which included updated policies and procedures, internal CFPB reports, and documentation of relevant training sessions. In addition, we interviewed senior management officials in all six divisions on the

efforts that each division has taken to address diversity and inclusion needs as identified through employee satisfaction surveys and the OMWI listening sessions.

We evaluated OMWI's role and involvement in monitoring (1) the impact of the CFPB's human resources-related policies on minorities and women and (2) the agency's efforts to increase diversity in senior management positions. We reviewed documents and conducted interviews with OMWI officials to assess OMWI's efforts to respond to potential indicators of bias or discrimination, such as complaints, employee satisfaction surveys results, and recommendations made by third parties. We also reviewed documents, conducted interviews, and applied GAO best practices to evaluate OMWI's efforts to increase diversity and provide diversity training to management and staff. In addition, we reviewed CFPB documents and conducted interviews with OMWI officials to evaluate compliance with applicable sections of the Dodd-Frank Act. Further, we assessed the alignment of OMWI's policies and procedures with best practices.

We interviewed senior management officials from six divisions to gain an understanding of the CFPB's challenges in achieving diversity throughout the agency and within senior management. Through these interviews, we sought to gain management's perspectives on the following:

- division needs for critical management positions and succession planning, as well as any strategies and programs for enhancing diversity
- division responses to concerns related to equality, fairness, diversity, and inclusion expressed by participants in OMWI's listening sessions and through employee satisfaction surveys
- division interactions with OMWI, the OEEEO, and the OHC
- OMWI's role and involvement in monitoring the effect of the CFPB's human resources-related policies on minorities and women

We conducted our audit fieldwork from May 2014 to October 2014. We conducted this performance audit in accordance with 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix C

Workforce Data

Table C-1 depicts the composition of the CFPB’s workforce by fiscal year as compared to the most current five-year ACS data. From FY 2011 to FY 2013, the CFPB’s workforce grew from 666 employees to 1,323 employees. Table C-2 depicts the CFPB’s workforce composition by race/ethnicity and pay grade series.

Table C-1: Permanent Employees, by Gender, Race/Ethnicity, and Age, FY 2011–FY 2013, and Demographic Breakdown of ACS Data, 2006–2010^a

Permanent workforce demographics	FY 2011		FY 2012		FY 2013		2006–2010 ACS data
	Number	% of total workforce	Number	% of total workforce	Number	% of total workforce	% of total
Total permanent workforce	666	100.00	988	100.00	1,323	100.00	100.00
Gender							
Male	354	53.15	498	50.40	703	53.14	52.79
Female	312	46.85	490	49.60	620	46.86	47.21
Race/Ethnicity							
White	438	65.77	651	65.89	876	66.21	67.05
Black/African American	133	19.97	178	18.02	227	17.16	11.34
Asian	49	7.36	93	9.41	129	9.75	4.82
Hispanic/Latino	31	4.65	46	4.66	71	5.37	14.58
Other	15	2.25	20	2.02	20	1.51	2.21
Age							
Under 40	332	49.85	501	50.71	694	52.46	N/A
40 or older	334	50.15	487	49.29	629	47.54	N/A

Source: OIG analysis of CFPB-provided information and the Census Bureau’s ACS data.

Note: Percentages may not total 100 due to rounding.

^aThe number of permanent employees excludes interns and unpaid workers, but includes temporary paid employees.

Table C-2: Number of Permanent Employees, by Race/Ethnicity and Pay Grade Level, FY 2011–FY 2013

Workforce by race/ethnicity and pay grade series	FY 2011		FY 2012		FY 2013	
	Number	% of total workforce ^a	Number	% of total workforce ^a	Number	% of total workforce ^a
Total permanent workforce	666	100.00	988	100.00	1,323	100.00
Below 50 grade series						
White	84	19.18	95	14.59	136	15.53
Black/African American	60	45.11	65	36.52	75	33.04
Hispanic/Latino	9	29.03	14	30.43	22	30.99
Asian	15	30.61	19	20.43	27	20.93
Other	5	33.33	3	15.00	4	20.00
Total	173	25.98	196	19.84	264	19.95
Grade series 50–70						
White	324	73.97	520	79.88	706	80.59
Black/African American	69	51.88	110	61.80	149	65.64
Hispanic/Latino	21	67.74	30	65.22	46	64.79
Asian	31	63.27	68	73.12	97	75.19
Other	10	66.67	17	85.00	16	80.00
Total	455	68.32	745	75.40	1,014	76.64
Grade series 80 and above						
White	30	6.85	36	5.53	34	3.88
Black/African American	4	3.01	3	1.69	3	1.32
Hispanic/Latino	1	3.23	2	4.35	3	4.23
Asian	3	6.12	6	6.45	5	3.88
Other	0	0.00	0	0.00	0	0.00
Total	38	5.71	47	4.76	45	3.40

Source: OIG analysis based on CFPB-provided data.

^aPercentage of the total demographic group in the workforce for that year.

Note: Percentages may not total 100 due to rounding.

Appendix D

Hiring Data

As shown in tables D-1 through D-4, thousands of applicants competed for only hundreds of positions in every year during the period under review. During the application process, individuals were asked to voluntarily disclose demographic data related to race/ethnicity and gender.

Table D-1: Number of Applicants, by Gender and Race/Ethnicity, FY 2011–FY 2013

Applicants	FY 2011		FY 2012		FY 2013	
	Number	% of total applicants	Number	% of total applicants	Number	% of total applicants
Total applicants	48,961	100.00	72,114	100.00	88,936	100.00
Gender						
Male	26,165	53.44	36,380	50.45	44,786	50.36
Female	20,779	42.44	31,817	44.12	40,074	45.06
Unknown	2,017	4.12	3,917	5.43	4,076	4.58
Race/Ethnicity						
White	21,708	44.34	35,473	49.19	32,662	36.73
Black/African American	15,808	32.29	17,811	24.70	31,343	35.24
Hispanic/Latino	3,605	7.36	5,104	7.08	7,791	8.76
Asian	3,020	6.17	5,746	7.97	7,125	8.01
Other	4,820	9.84	7,980	11.07	10,015	11.26

Source: OIG analysis based on CFPB-provided data.

Note: Percentages may not total 100 due to rounding.

Table D-2: Applicants Found Eligible, by Gender and Race/Ethnicity, FY 2011–FY 2013

Met minimum requirements (eligible)	FY 2011		FY 2012		FY 2013	
	Number	% of total eligible	Number	% of total eligible	Number	% of total eligible
Total eligible	32,513	100.00	42,323	100.00	58,922	100.00
Gender						
Male	16,835	51.78	20,552	48.56	29,028	49.27
Female	14,375	44.21	19,403	45.85	27,302	46.34
Unknown	1,303	4.01	2,368	5.60	2,592	4.40
Race/Ethnicity						
White	14,551	44.75	20,331	48.04	20,985	35.61
Black/African American	10,482	32.24	10,960	25.90	21,421	36.35
Hispanic/Latino	2,381	7.32	3,084	7.29	5,220	8.86
Asian	1,944	5.98	3,208	7.58	4,799	8.14
Other	3,155	9.70	4,740	11.20	6,497	11.03

Source: OIG analysis based on CFPB-provided data.

Note: Percentages may not total 100 due to rounding.

Table D-3: Applicants Found Best Qualified, by Gender and Race/Ethnicity, FY 2011–FY 2013

Best qualified	FY 2011		FY 2012		FY 2013	
	Number	% of total best qualified	Number	% of total best qualified	Number	% of total best qualified
Total best qualified	1,194	100.00	17,956	100.00	7,319	100.00
Gender						
Male	646	54.10	9,515	52.99	3,846	52.55
Female	480	40.20	7,399	41.21	3,066	41.89
Unknown	68	5.70	1,042	5.80	407	5.56
Race/Ethnicity						
White	607	50.84	10,335	57.56	3,323	45.40
Black/African American	262	21.94	2,793	15.55	1,926	26.32
Hispanic/Latino	84	7.04	1,165	6.49	570	7.79
Asian	129	10.80	1,618	9.01	659	9.00
Other	112	9.38	2,045	11.39	841	11.49

Source: OIG analysis based on CFPB-provided data.

Note: Percentages may not total 100 due to rounding.

Table D-4: Applicants Hired, by Gender and Race/Ethnicity, FY 2011–FY 2013

Hired	FY 2011		FY 2012		FY 2013	
	Number	% of total hired	Number	% of total hired	Number	% of total hired
Total hired	166	100.00	378	100.00	446	100.00
Gender						
Male	99	59.64	181	47.88	241	54.04
Female	63	37.95	180	47.62	190	42.60
Unknown	4	2.41	17	4.50	15	3.36
Race/Ethnicity						
White	89	53.61	211	55.82	252	56.50
Black/African American	45	27.11	76	20.11	78	17.49
Hispanic/Latino	9	5.42	20	5.29	36	8.07
Asian	10	6.02	38	10.05	45	10.09
Other	13	7.83	33	8.73	35	7.85

Source: OIG analysis based on CFPB-provided data.

Note: Percentages may not total 100 due to rounding.

Appendix E

External Consulting Firm's Statistical Analysis of the CFPB's FY 2012 and FY 2013 Performance Ratings

An Analysis of Gender, Race, and Age Differences in Performance Ratings of CFPB Employees: 2012-2013

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Executive Summary

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

The OIGs initiated individual assignments with a general overall objective to assess agency personnel operations and other efforts to provide for equal employment opportunities, including equal opportunity for minorities and women to obtain senior management positions, and increase racial, ethnic and gender diversity in the workforce. One element of the work was for each OIG to assemble agency wide performance appraisal data to identify performance ratings distributions by gender, race/ethnicity, age and bargaining unit status (where applicable). This report presents the methodology and results of the analyses conducted for CFPB OIG.

Separate analyses were conducted on overall performance ratings administered in 2012 and 2013. These analyses were conducted to detect potential performance rating differences based on gender, race/ethnicity, and age. Analyses were conducted at a number of different levels, including overall, by job level, and by bargaining unit status. Both statistical significance tests (e.g., t-tests) and effect sizes (e.g., d-scores) were evaluated to determine whether differences were meaningful. Standard social science criteria (e.g., alpha = .05) were used to interpret statistical significance, and effect sizes were compared to typical results found in the personnel selection research literature.

For gender, the performance ratings for males and females did not significantly differ in 2013. In 2012, females were rated significantly higher than males among employees in the other job level.

For race/ethnicity, Whites were rated significantly higher than African Americans in 2012 and 2013. These differences were larger than what are typically found in the research literature. Additionally, Whites were rated significantly higher than Hispanics in 2013 but not 2012. Once again, these differences were larger than what are found in the research literature. There were no significant differences between Whites and American Indian/Alaskan Natives or between Whites and Asians in either year.

For age, younger employees received significantly higher ratings than older employees in 2012 and 2013. This was the case across most units of analysis.

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

Introduction

Project Background

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

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

The OIGs initiated individual assignments with a general overall objective to assess agency personnel operations and other efforts to provide for equal employment opportunities, including equal opportunity for minorities and women to obtain senior management positions, and increase racial, ethnic and gender diversity in the workforce. One element of the work was for each OIG to assemble agency wide performance appraisal data to identify performance ratings distributions by gender, race/ethnicity, age and bargaining unit status (applicable to all agencies except the FRB and FHFA). The FDIC Office of Inspector General (FDIC OIG) offered to engage and fund an independent contractor to perform statistical analyses of the performance appraisal results for each agency to determine whether there are statistically significant differences between groups of interest. DCI Consulting Group was selected to conduct these analyses for each of the agencies except for the Securities and Exchange Commission (SEC).

This report presents the methodology and results of the analyses conducted for CFPB OIG.²

The CFPB Performance Rating System

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

¹ See the Appendix for a copy of this letter.

² DCI staff conducted all analyses and authored this report. Nothing in the report should be construed as representing the views of CFPB OIG.

The distribution of performance ratings for 2012 and 2013 are depicted in Table 1. As presented, the higher the rating the better the performance.

Table 1. Distribution of Performance Ratings³

Rating	Count		Percent	
	2012	2013	2012	2013
1 - Unacceptable	6	1	0.7	0.1
2 - Between 1 and 3	n/a	11	n/a	0.9
3 - Fully Successful	269	332	32.1	28.0
4 - Between 3 and 5	429	629	51.3	53.1
5 - Outstanding	133	212	15.9	17.9

³ It should be noted that there were some unique challenges regarding CFPB's rating scale and treatment in analysis. For example, in 2012, the operational scale included 1, 3, 4 and 5 options from table 1. CFPB OIG requested that DCI maintain this scaling and treat the data as a 1-5 scale and assume that there were no values of 2 in the data. DCI analyzed and presented these results in this report. Analyses were also conducted on a transformed 1 to 4 scale, and conclusions were identical. In 2013, CFPB OIG reported that a full 1-5 scale was used, although it was unclear exactly when this new scale was implemented. CFPB OIG requested that DCI analyze all 2013 employees on a 1-5 scale, and those results are found in this report.

Method

Initial Dataset

CFPB OIG provided DCI with data for 2012 and 2013. The performance time period covered for each year was from October 1st through September 30th. Relevant information for each year included:

- Performance Year
- Date of Evaluation
- Duty Location (City and State)
- Division
- Office
- Pay Grade
- Supervisory Code
- Occupational Category
- Pattern Code
- Rating Pattern Summary
- Rating Code
- Rating Description
- Race/National Origin (ERI Description)
- Gender
- Age
- Whether the employee was 40 years of age or older

The dataset for each year included all employees who were eligible for performance ratings for that year. Neither employee name nor employee number was included in the dataset.

Data Cleaning

The first step in the data cleaning process was to remove employees in the dataset who had not been with the agency long enough (90 days) to receive a performance rating. As it turned out, no employees were removed in either of the two years.

Race/Ethnicity Grouping

CFPB OIG provided race/ethnicity grouping for analysis. Their coding scheme is presented in Table 2. If employees listed only one race/ethnicity (e.g., White, Asian), they were placed into that race/ethnicity category. If employees listed more than one race/ethnicity (e.g., Asian and

White) were placed into the category of “Two or more”.⁴ Employees who did not identify their race/ethnicity were included in the gender and age analyses but were omitted from the race/ethnicity analyses.

Table 2. Race/Ethnicity From Dataset and Race/Ethnicity Analysis Groups

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

Bargaining Unit

There were only two categories under bargaining unit and they are labeled bargaining and non-bargaining, respectively. CFPB OIG provided these classifications for 2013 employees. It is important to keep in mind that we did not have data regarding which employees were actually union members; only whether they were covered under a bargaining unit.

Age Grouping

CFPB OIG also provided employee age groupings to DCI. Employees were placed into one of two categories: under 40 or 40+. These categories were chosen to be consistent with the Age Discrimination in Employment Act (ADEA). The category placement was based on the

⁴ As shown in Table 2, the exception to this was that any employees identifying themselves as Hispanic, regardless of whether they listed any other races, were counted as Hispanic rather than “Two or More.” Note that employees self-identifying as “two or more” races were not included in any analysis, because that classification could mean many different things due to the number of possible race combinations.

employee's age on the first day of the performance period for each of the two years. Table 3 depicts the race/ethnicity, gender, and age breakdown for each of the two years.

Table 3. Number of Employees by Gender, Race/Ethnicity, and Age

Demographic Group	Year	
	2012	2013
TOTAL	837	1,185
Gender		
Female	417	560
Male	420	625
Race/Ethnicity		
White	549	779
Black or African American	156	204
Asian	71	117
Hispanic/Latino	41	67
American Indian/Alaskan Native	9	9
Native Hawaiian/Pacific Islander	2	1
Two or More	9	8
Age		
Under 40	431	629
40+	406	556

Data Integrity

To ensure the integrity of the data classifications, two consultants reviewed the initial dataset. To ensure the accuracy of the statistical analyses, the analyses were conducted twice by separate consultants using different analysis programs (i.e., SAS, SPSS, Excel, HR Equator). These separate analyses yielded identical results.

Data Analysis Methodology

The OIGs for each agency agreed that the analyses would be conducted at two levels for all agencies: Overall and by bargaining unit status (where applicable). Each agency then determined other levels of analysis that made sense for that agency. CFPB OIG asked that analyses also be conducted by job level (senior managers, mid-level employees, and all other employees).

To compare the differences in the mean performance ratings across gender, race/ethnicity and age, tests of both statistical significance and practical significance were used.⁵ Tests of statistical significance indicate the probability that the group difference could have been due to chance. A statistically significant result does not imply that a difference is good or bad or that it is large or small. Instead it simply indicates that the observed difference is probably not due to chance. In contrast, measures of practical significance provide an indication of the size of the difference.

To determine if the group differences were statistically significant, t-tests were used.⁶ To assess statistical significance, DCI used two-tailed tests, which assess rating differences in both directions (e.g., differences that favor males as well as differences that favor females) and an alpha level of .05. Both standards are common in social science research. An alpha level of .05 indicates that the probability of a false positive (i.e., a statistically significant result that is incorrect) is 5 percent. This threshold for identifying a statistically significant difference generally corresponds to a t-value of 1.96 (although this value may vary slightly depending on sample size). Any t-value highlighted in the results tables was statistically significant at an alpha level of .05.

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

Table 4 will be helpful in interpreting the d-scores observed for CFPB. The table summarizes a combination of d-scores obtained in a meta-analysis⁷ by Roth, Huffcutt, and Bobko (2003)⁸ on racial differences, a meta-analysis by McKay and McDaniel (2006)⁹ on Black-White differences, a meta-analysis by Roth, Purvis, and Bobko (2012)¹⁰ on gender differences, as well as internal research conducted by DCI. Thus, Table 4 represents the gender and race differences that are

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

⁶ For each comparison, we tested the assumption of equal variances between the two groups. If this test indicated unequal variances, a t-test for unequal variances was used (Welch's t-test). If the Welch's t-test changed the significance interpretation from that of the initial Student's t-test, the Welch's t-test value was listed in the table.

⁷ A meta-analysis is a study that statistically combines the results of all previous studies conducted on a topic. These studies combine data over time (e.g., some source studies date back to the 1960s) and from a variety of jobs (e.g., blue collar and white collar) in different settings (e.g., private, public and military) to identify "typical" findings. In this context, the results of a meta-analysis are a series of effect sizes (d-scores) that provide a single source summary of previous research. Interested readers should refer to the references below for more information related to specific studies.

⁸ Roth, P. L., Huffcutt, A. I., & Bobko, P. (2003). Ethnic group differences in measures of job performance: A meta-analysis. *Journal of Applied Psychology, 88*(4), 694-706.

⁹ McKay, P. F., & McDaniel, M. A. (2006). A reexamination of Black-White mean differences in work performance: More data, more moderators. *Journal of Applied Psychology, 91*(3), 538-554.

¹⁰ Roth, P. L., Purvis, K. L., & Bobko, P. (2012). A meta-analysis of gender group differences for measures of job performance in field studies. *Journal of Management, 38*(2), 719-739.

“typically found” in studies of performance appraisal differences. There have been no meta-analyses comparing performance ratings of employees over and under 40 or of employees in different bargaining statuses.

Table 4. “Typical” D-Scores Found in Performance Rating Studies

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

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

Analysis Results

Gender

Table 5 presents the results of gender analyses. As the table shows, there were no statistically significant overall gender differences in performance ratings in 2013, or within any of three job levels or two bargaining statuses. For 2012, there were no statistically significant differences in performance ratings agency wide or in two of the job levels (senior managers and mid-level employees). Females had statistically significant higher ratings than males among all other employees¹¹.

Race/Ethnicity

White to African-American Comparison

As depicted in Table 6, for 2013, Whites received statistically significant higher performance ratings than African Americans at the agency wide level. The two groups did not differ significantly in their ratings for senior managers (where sample sizes were too small for analyses) and mid-level employees, but Whites received significantly higher ratings among all other employees and in both bargaining and non-bargaining units. Additionally, the effect sizes for the overall difference ($d= 0.44$), all other employees ($d= 0.45$), bargaining ($d= 0.45$) and non-bargaining ($d= 0.37$) levels were larger than the value normally found for White-African American comparisons (which is $d= 0.34$).

For 2012, Whites received significantly higher performance ratings than African Americans both agency wide ($d= 0.43$) and among all other employees ($d= 0.49$), but not for senior managers (where sample sizes were too small for analysis) or mid-level employees. Again, these effect sizes were larger than the value normally found in the research literature for White-African American comparisons.

White to Hispanic Comparison

As depicted in Table 7, Whites received significantly higher performance ratings than Hispanics agency wide for 2013. The two groups did not differ significantly in their ratings for senior managers (where sample sizes were too small for analyses) and mid-level employees, but Whites received significantly higher ratings among all other employees and in both bargaining and non-bargaining units. Additionally, the effect sizes for the agency wide difference ($d=0.40$), all other employees ($d= 0.32$), bargaining ($d= 0.29$) and non-bargaining ($d= 0.70$) levels were larger than

¹¹ One pattern that we were not asked to formally evaluate using statistics, but which is clear simply by evaluating the average ratings across the different organizational levels, is that employees at higher organizational levels tend to receive higher performance ratings.

Table 5. Analysis Results - Gender Comparison

Year/Unit of Analysis	Count		Avg Rating		Statistics		
	M	F	M	F	t-value	% diff	d
2013							
Overall	625	560	3.85	3.91	-1.63	-1.7	-0.09
Level							
Sr Mgmt	26	15	3.85	4.13	-1.34	-6.9	-0.43
Mid-Level	89	66	3.99	4.11	-1.07	-2.9	-0.17
Other	510	479	3.82	3.88	-1.28	-1.5	-0.08
Bargaining Unit Status							
Yes	456	399	3.80	3.85	-1.12	-1.4	-0.08
No	169	161	3.98	4.06	-1.16	-2.11	-0.13
2012							
Overall	420	417	3.77	3.86	-1.81	-2.3	-0.13
Level							
Sr Mgmt	32	14	4.00	4.21	-0.98	-5.1	-0.32
Mid-Level	64	43	3.91	3.91	-0.01	0.0	0.00
Other	324	360	3.72	3.84	-2.18	-3.1	-0.17

Note: Negative t-values indicate women received higher ratings than men

t-values highlighted in orange indicate that the t-value is statistically significant favoring women

t-values highlighted in gray indicate that the t-value is statistically significant favoring men

Table 6. Analysis Results - Race: White to African American Comparison

Year/Unit of Analysis	Count		Avg Rating		Statistics		
	W	AA	W	AA	t-value	% diff	d
2013							
Overall	779	204	3.96	3.65	5.65	8.4	0.44
Level							
Sr Mgmt	32	2	4.03	n/a	n/a	n/a	n/a
Mid-Level	114	25	4.07	3.84	1.59	6.0	0.35
Other	633	177	3.94	3.62	5.28	8.7	0.45
Bargaining Unit Status							
Yes	547	153	3.91	3.59	4.97	8.9	0.45
No	232	51	4.08	3.84	2.38	6.2	0.37
2012							
Overall	549	156	3.89	3.58	4.72	8.5	0.43
Level							
Sr Mgmt	35	3	4.14	n/a	n/a	n/a	n/a
Mid-Level	76	19	3.87	4.00	-0.74	-3.3	-0.19
Other	438	134	3.87	3.52	4.94	9.9	0.49

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

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

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

Table 7. Analysis Results - Race: White to Hispanic Comparison

Year/Unit of Analysis	Count		Avg Rating		Statistics		
	W	H	W	H	t-value	% diff	d
2013							
Overall	779	67	3.96	3.69	3.11	7.4	0.40
Level							
Sr Mgmt	32	3	4.03	n/a	n/a	n/a	n/a
Mid-Level	114	5	4.07	3.60	1.70	13.1	0.78
Other	633	59	3.94	3.71	2.34	6.1	0.32
Bargaining Unit Status							
Yes	547	50	3.91	3.70	1.98	5.6	0.29
No	232	17	4.08	3.65	2.79	11.9	0.70
2012							
Overall	549	41	3.89	3.68	1.81	5.5	0.29
Level							
Sr Mgmt	35	2	4.14	n/a	n/a	n/a	n/a
Mid-Level	76	5	3.87	3.60	0.92	7.5	0.42
Other	438	34	3.87	3.68	1.54	5.3	0.27

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

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

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

the value normally found in the research literature for White-Hispanic comparisons (which is $d=0.14$).

For 2012, there were no significant differences in performance ratings for Whites and Hispanics in the agency wide ratings or within each of the three job levels.

White to Asian Comparison

As depicted in Table 8, for 2013, there were no significant differences in the overall performance ratings between Whites and Asians at any level of analysis. Please note that there were too few Asian senior managers ($n=4$) to conduct an analyses for this job level. The 2013 pattern of results was the same for 2012 in that there were no significant differences in performance ratings between Whites and Asians at any level of analysis.

White to American Indian/Alaskan Native Comparison

As depicted in Table 9, there were only 9 American Indian/Alaskan Native employees in both 2013 and 2012, and too few American Indian/Alaskan Natives for senior manager and mid-level employee comparisons for both years. Analyses conducted at the level of all other employees revealed no significant differences between Whites and American Indian/Alaskan Natives for either year.

Age

As depicted in Table 10, younger employees received significantly higher performance ratings than older employees at the agency wide level ($d=0.26$), for mid-level employees ($d=0.34$), all other employees ($d=0.31$), and in both bargaining status categories ($d=0.32$ and $d=0.30$) for 2013. There were only two senior managers under the age of 40, and for this reason no analysis could be conducted at this job level.

In 2012, there was a statistically significant difference in performance ratings favoring younger employees at the agency wide level ($d=0.35$), for mid-level employees ($d=0.39$), and for all other employees ($d=0.44$). No statistically significant differences were found between older and younger employees at the senior manager level in 2012.

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

Year/Unit of Analysis	Count		Avg Rating		Statistics		
	W	A	W	A	t-value	% diff	d
2013							
Overall	779	117	3.96	3.83	1.92	3.4	0.19
Level							
Sr Mgmt	32	4	4.03	n/a	n/a	n/a	n/a
Mid-Level	114	9	4.07	4.22	-0.70	-3.6	-0.24
Other	633	104	3.94	3.80	1.87	3.7	0.20
Bargaining Unit Status							
Yes	547	90	3.91	3.79	1.49	3.2	0.17
No	232	27	4.08	3.96	0.93	3.0	0.19
2012							
Overall	549	71	3.89	3.89	0.00	-0.01	0.00
Level							
Sr Mgmt	35	6	4.14	3.83	1.06	8.1	0.47
Mid-Level	76	6	3.87	4.33	-1.68	-10.7	-0.71
Other	438	59	3.87	3.85	0.23	0.6	0.03

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

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

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

Table 9. Analysis Results - Race: White to American Indian

Year/Unit of Analysis	Count		Avg Rating		Statistics		
	W	AI	W	AI	t-value	% diff	d
2013							
Overall	779	9	3.96	3.89	0.31	1.8	0.10
Level							
Sr Mgmt	32	0	4.03	n/a	n/a	n/a	n/a
Mid-Level	114	1	4.07	n/a	n/a	n/a	n/a
Other	633	8	3.94	3.75	0.74	5.0	0.26
Bargaining Unit Status							
Yes	547	7	3.91	3.71	0.71	5.2	0.27
No	232	2	4.08	n/a	n/a	n/a	n/a
2012							
Overall	549	9	3.89	3.89	-0.01	-0.05	0.00
Level							
Sr Mgmt	35	0	4.14	n/a	n/a	n/a	n/a
Mid-Level	76	0	3.87	n/a	n/a	n/a	n/a
Other	438	9	3.87	3.89	-0.08	-0.5	-0.03

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

t-values highlighted in orange indicate that the t-value is statistically significant favoring American Indians

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

Table 10. Analysis Results - Age Comparison

Year/Unit of Analysis	Count		Avg Rating		Statistics		
	<40	40+	<40	40+	t-value	% diff	d
2013							
Overall	629	556	3.96	3.78	4.44	4.7	0.26
Level							
Sr Mgmt	2	39	n/a	3.95	n/a	n/a	n/a
Mid-Level	53	102	4.19	3.96	2.02	5.8	0.34
Other	574	415	3.94	3.72	4.87	5.9	0.31
Bargaining Unit Status							
Yes	497	358	3.92	3.70	4.56	6.0	0.32
No	132	198	4.14	3.94	2.64	5.00	0.30
2012							
Overall	431	406	3.94	3.69	5.03	6.7	0.35
Level							
Sr Mgmt	5	41	4.20	4.05	0.47	3.7	0.22
Mid-Level	37	70	4.08	3.81	1.91	7.0	0.39
Other	389	295	3.92	3.61	5.68	8.5	0.44

Note: Negative t-values indicate those 40 years of age or older received higher ratings than those younger than 40 years of age
t-values highlighted in orange indicate that the t-value is statistically significant favoring those 40 years of age or older
t-values highlighted in gray indicate that the t-value is statistically significant favoring those younger than 40 years of age

Conclusions and Discussion

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

The agency wide results across years indicate no pattern of statistically significant differences in average performance ratings between (a) women and men, (b) Asians and Whites, or (c) American Indian/Alaskan Natives and Whites. In fact, there were no statistically significant White-Asian or White-American Indian/Alaskan Native differences, regardless of the level of analysis. There was one statistically significant difference in average performance ratings between women and men, and this finding was in favor of females. In general, the overall results indicate no systematic differences in performance ratings for gender, White-Asian, or White-American Indian/Alaskan Native comparisons.

With respect to agency wide performance differences between White employees and African American employees, there is a trend of statistically significant differences in average ratings. Furthermore, effect sizes were larger than the values normally found in the research literature. In both years, the average performance ratings for Whites were higher than those for African Americans at multiple levels of analysis. In addition, Whites were rated higher than Hispanics at a statistically significant level for 2013 at multiple levels of analysis. Furthermore, effect sizes were larger than the values normally found in the research literature. This pattern was not true for 2012, where no statistical differences were found between Whites and Hispanics at any level of analysis.

With respect to age, a consistent pattern across years emerged agency wide, and at the mid-level employee and other employee job levels of analysis. The average performance ratings for employees younger than 40 were higher than those for employees age 40 or older, at a statistically significant level. This was true for bargaining and non-bargaining units in 2013.

Interpreting Statistically Significant Findings

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

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

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

Potential Future Analyses

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

First, the analyses for this report were conducted at three job levels: senior managers, mid-level employees, and all other employees. It might be useful to conduct further analyses by such strata as salary band, region or location, and job title. In some instances, job level results may be further explained by more nuanced analyses and more granular levels.

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

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

Fourth, it may be useful to analyze tangible employment outcomes that are directly or indirectly linked to performance ratings. For example, merit raises, bonuses and promotion decisions could

all be analyzed across the protected groups discussed in this report. This set of analyses could provide a broader perspective on equal employment opportunity outcomes across groups.

Note: We did not include appendix I of the external consultant's report, which is a copy of the congressional request letter. We include that letter as appendix A of this report.

Appendix F

Performance Management Data

In addition to the external consultant’s analysis on performance management data, we conducted our own analysis to determine average performance ratings by race/ethnicity for each division (table F-1). We also analyzed average performance ratings for each division by age (table F-2). In addition to our divisional analysis, we determined average performance ratings by race/ethnicity for employees stationed at CFPB headquarters and those in field offices for FY 2012 and FY 2013 (table F-3).

Table F-1: Average Performance Ratings, by Race/Ethnicity for Each Division, FY 2012 and FY 2013^a

Average performance ratings by race/ethnicity	Division							
	Consumer Education and Engagement	External Affairs	Legal	Operations	Research, Markets, and Regulations	Supervision, Enforcement, and Fair Lending	Other Programs	Office of the Director
FY 2012								
White	4.11	4.20	4.27	3.89	4.05	3.77	N/A	3.79
Black/African American	3.67	N/A	N/A	3.72	N/A	3.46	N/A	N/A
Hispanic/Latino	N/A	N/A	N/A	3.82	N/A	3.45	N/A	N/A
Asian	N/A	N/A	N/A	4.00	4.22	3.75	N/A	N/A
Other	N/A	N/A	N/A	4.00	N/A	3.69	N/A	N/A
FY 2013								
White	3.98	3.85	4.23	4.02	4.17	3.88	3.33	4.15
Black/African American	3.86	N/A	N/A	3.74	3.57	3.58	N/A	N/A
Hispanic/Latino	N/A	3.80	N/A	3.56	4.20	3.71	N/A	N/A
Asian	3.86	N/A	3.80	4.00	4.07	3.71	N/A	N/A
Other	N/A	N/A	N/A	3.86	N/A	4.11	N/A	N/A

Source: OIG analysis based on CFPB-provided data.

^aAnalyses were only conducted when comparisons included five or more employees in each group. This decision was based on professional judgment; samples too small for analysis are labeled *N/A* in the results tables.

Table F-2: Average Performance Ratings, by Age for Each Division, FY 2012 and FY 2013^a

Average performance ratings by age	Division							
	Consumer Education and Engagement	External Affairs	Legal	Operations	Research, Markets, and Regulations	Supervision, Enforcement, and Fair Lending	Other Programs	Office of the Director
FY 2012								
Under 40 years	4.00	4.13	4.37	3.93	4.24	3.81	N/A	4.00
40 years or older	3.90	3.67	3.91	3.76	3.85	3.59	N/A	3.67
FY 2013								
Under 40 years	3.97	3.86	4.29	4.04	4.18	3.89	3.27	4.00
40 years or older	3.79	3.40	3.96	3.78	4.02	3.73	N/A	4.17

Source: OIG analysis based on CFPB-provided data.

^aAnalyses were only conducted when comparisons included five or more employees in each group. This decision was based on professional judgment; samples too small for analysis are labeled N/A in the results tables.

Table F-3: Average Performance Ratings, by Race/Ethnicity for the CFPB's Headquarters and Regional Offices, FY 2012 and FY 2013^a

Average performance ratings by race/ethnicity	Washington, DC (headquarters)	Regional offices
FY 2012		
White	4.00	3.62
Black/African American	3.68	3.38
Hispanic/Latino	3.91	3.39
Asian	4.02	3.61
Other	3.75	3.63
FY 2013		
White	4.03	3.81
Black/African American	3.71	3.52
Hispanic/Latino	3.75	3.59
Asian	3.90	3.66
Other	3.86	N/A

Source: OIG analysis based on CFPB-provided data.

^aAnalyses were only conducted when comparisons included five or more employees in each group. This decision was based on professional judgment; samples too small for analysis are labeled N/A in the results tables.

Appendix G

Promotions Data

Tables G-1 through G-3 depict noncompetitive promotions to any pay grade by race/ethnicity, gender, and age, respectively. These tables do not include the pay grade series level from which the employee was promoted.

Table G-1: Number of Noncompetitive Promotions, by Race/Ethnicity and Pay Grade Series, FY 2011–FY 2013

Noncompetitive promotions to any grade:	FY 2011		FY 2012		FY 2013	
	Number	% of total noncompetitive promotions ^a	Number	% of total noncompetitive promotions ^a	Number	% of total noncompetitive promotions ^a
Below 50						
White	1	100.00	24	57.14	2	28.57
Black/ African American	0	0.00	13	30.95	3	42.86
Hispanic/Latino	0	0.00	1	2.38	0	0.00
Asian	0	0.00	4	9.52	0	0.00
Other	0	0.00	0	0.00	2	28.57
Total	1	100.00	42	100.00	7	100.00
Within the 50 to 70 series						
White	2	66.67	32	56.14	45	63.38
Black/ African American	1	33.33	11	19.30	13	18.31
Hispanic/Latino	0	0.00	4	7.02	4	5.63
Asian	0	0.00	6	10.53	8	11.27
Other	0	0.00	4	7.02	1	1.41
Total	3	100.00	57	100.00	71	100.00
Within the 80 to 90 series						
White	0	N/A	3	100.00	2	100.00
Black/ African American	0	N/A	0	0.00	0	0.00
Hispanic/Latino	0	N/A	0	0.00	0	0.00
Asian	0	N/A	0	0.00	0	0.00
Other	0	N/A	0	0.00	0	0.00
Total	0	N/A	3	100.00	2	100.00

Source: OIG analysis of CFPB-provided information.

Note: Percentages may not total 100 due to rounding.

^aPercentage of the total noncompetitive promotions for that grade.

Table G-2: Number of Noncompetitive Promotions, by Gender and Pay Grade Series, FY 2011–FY 2013

Noncompetitive promotions to any grade:	FY 2011		FY 2012		FY 2013	
	Number	% of total noncompetitive promotions ^a	Number	% of total noncompetitive promotions ^a	Number	% of total noncompetitive promotions ^a
Below 50						
Male	1	100.00	26	61.90	5	71.43
Female	0	0.00	16	38.10	2	28.57
Total	1	100.00	42	100.00	7	100.00
Within the 50 to 70 series						
Male	0	0.00	29	50.88	39	54.93
Female	3	100.00	28	49.12	32	45.07
Total	3	100.00	57	100.00	71	100.00
Within the 80 to 90 series						
Male	0	0.00	3	100.00	2	100.00
Female	0	0.00	0	0.00	0	0.00
Total	0	0.00	3	100.00	2	100.00

Source: OIG analysis of CFPB-provided data.

Note: Percentages may not total 100 due to rounding.

^aPercentage of the total noncompetitive promotions for that grade.

Table G-3: Number of Noncompetitive Promotions, by Age and Pay Grade Series, FY 2011–FY 2013

Noncompetitive promotions to any grade:	FY 2011		FY 2012		FY 2013	
	Number	% of total noncompetitive promotions ^a	Number	% of total noncompetitive promotions ^a	Number	% of total noncompetitive promotions ^a
Below 50						
Under 40	1	100.00	29	69.05	4	57.14
40 or older	0	0.00	13	30.95	3	42.86
Total	1	100.00	42	100.00	7	100.00
Within the 50 to 70 series						
Under 40	2	66.67	32	56.14	45	63.38
40 or older	1	33.33	25	43.86	26	36.62
Total	3	100.00	57	100.00	71	100.00
Within the 80 to 90 series						
Under 40	0	0.00	2	66.67	1	50.00
40 or older	0	0.00	1	33.33	1	50.00
Total	0	0.00	3	100.00	2	100.00

Source: OIG analysis of CFPB-provided data.

Note: Percentages may not total 100 due to rounding.

^aPercentage of the total noncompetitive promotions for that grade.

Appendix H

Separations Data

Table H-1 illustrates separations, other than retirements, by gender, race/ethnicity, and age for FY 2011–FY 2013.

Table H-1: Nonretirement Separations, by Gender, Race/Ethnicity, and Age, FY 2011–FY 2013

Separations by demographic group	FY 2011		FY 2012		FY 2013	
	Number	% of total workforce ^a	Number	% of total workforce ^a	Number	% of total workforce ^a
Total separations	17	2.55	120	12.15	106	8.01
Gender						
Male	8	2.26	67	13.45	52	7.40
Female	9	2.88	53	10.82	54	8.71
Race/ethnicity						
White	15	3.42	94	14.44	67	7.65
Black/African American	1	0.75	12	6.74	15	6.61
Hispanic/Latino	1	3.23	5	10.87	8	11.27
Asian	0	0.00	8	8.60	15	11.63
Other	0	0.00	1	5.00	1	5.00
Age						
Under 40	15	4.52	95	18.96	71	10.23
40 or older	2	0.60	25	5.13	35	5.56

Source: OIG analysis of CFPB-provided data.

Note: Percentages may not total 100 due to rounding.

^aPercentage of the total demographic group in the workforce for that year.

Appendix I

Management's Response



1700 G Street, N.W., Washington, DC 20552

February 2, 2015

VIA ELECTRONIC MAIL

Mark Bialek
Inspector General
Office of Inspector General
Board of Governors of the Federal Reserve System
Consumer Financial Protection Bureau
Washington, DC 20551

RE: CFPB Response to the Office of the Inspector General (OIG) Draft Report entitled, "The CFPB Can Enhance Its Diversity and Inclusion Efforts" dated January 16, 2015 (Report)

Dear Mr. Bialek:

Thank you for the opportunity to respond to the above-referenced Report. The CFPB appreciates the OIG's affirmation of diversity and inclusion efforts as critical to the overall development and performance of an organization. Accordingly, the CFPB senior leadership team will continue to invest in these efforts in the coming years.

The Report contains specific suggestions regarding additional policies, procedures, and other enhancements to the CFPB's diversity and inclusion efforts. We concur with its recommendations. As detailed below, the CFPB has made significant progress in addressing the recommendations since the close of the evaluation review period in October 2014. We will be taking steps to adopt and implement all of the recommendations as we move forward in expanding our diversity and inclusion efforts.

Below are responses from CFPB management to each of the Report's specific recommendations.

CFPB Management Response to Recommendation #1

Enhance efforts to identify and evaluate potential barriers to equal employment opportunity in the CFPB's hiring process, and eliminate or modify any policy, practice, or procedure that creates such barriers, as necessary

We recognize that the observed decline in Black/African American applicant representation in the latter phases of the hiring process should be further analyzed to understand what factors may have contributed to the observed decline, and whether specific actions can help to reduce or eliminate any potential barriers. As part of our ongoing analysis, we intend to incorporate information, best practices, and recommendations from the U.S. Office of Personnel Management (OPM). OPM recently analyzed applicant flow data on a government wide basis; this data show markedly similar results to those found in the Report. As mentioned in the Report, we have been gathering additional data from hiring

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managers on the latter phases of the final selection process to explore contributing factors. Analysis of these data may help uncover reasons for selection or non-selection that will inform our continued effort to ensure equal employment opportunity. We plan to complete our initial assessment of this data by September 30, 2015. The assessment will include a summary of key findings and recommendations for future actions the Bureau can take going forward. It is notable, however, that the Report states in Appendix C that the Bureau's workforce is 33% non-White. It is also notable, as the Report states in Appendix D, that the Bureau's hiring of 990 persons from FY 2011 to FY 2013 was 44% non-White.

CFPB Management Response to Recommendation #2

Complete the Office of Human Capital's work to understand the root causes of the statistically significant differences in performance ratings and use the results to inform the design of the new performance management system

As discussed in the Report, the CFPB has taken the initiative to develop specific and comprehensive corrective action to address differences in performance ratings by transitioning to a new performance management system for FY 2014 and FY 2015; convening a joint labor-management working group with the National Treasury Employees Union (NTEU) to design a new performance management system for FY 2016 and beyond; and retroactively adjusting the performance rating of every CFPB employee (except senior leadership) who received a 3 or 4 summary level performance rating in fiscal years 2012 or 2013 under the prior performance management program. In addition, the CFPB has procured a third party vendor to review the CFPB's internal analysis of FY 2012 and FY 2013 performance ratings, confirm findings, further our understanding of root causes of ratings differences, and provide recommendations for future performance management features and processes. The third party has begun their work, and the CFPB will take action on their findings as appropriate. Based on the current timeline for work, we expect to complete these actions by June 30, 2015. In the meantime, we are continuing our work with NTEU to design the next generation performance management system for the CFPB.

CFPB Management Response to Recommendations #3:

Ensure that training on the performance management system, including calibration training for supervisors, is mandatory and provided to all employees at least annually, and is documented through records of attendance to ensure that all employees are trained on the performance management system

Training plays a critical role in enhancing employees' understanding of the performance management process and we appreciate the OIG's recognition of the significant performance management training and communication efforts that CFPB has undertaken to date. Building on these efforts, the CFPB's Office of Human Capital will require annual mandatory training for all employees on the performance management system and include mandatory calibration training for supervisors beginning in FY 2015. Moreover, we are developing a Standard Operating Procedure to formally document our practices and requirements for ensuring and recording training attendance. This procedure will be completed by March 31, 2015.

CFPB Management Response to Recommendation #4:

Enhance the process and metrics used to evaluate the effectiveness of performance management system training, and make changes to the training as needed

The CFPB recognizes the importance of an effective performance management system and has already begun to collect performance management training evaluation data and continue to use that data to refine and improve our performance management training offerings. In addition, as mentioned above, we are developing a Standard Operating Procedure to formally document our practices and requirements for gathering training evaluation data, measuring and reporting results, and implementing improvements based on the feedback received. This procedure will be completed by March 31, 2015.

CFPB Management Response to Recommendation #5:

Enhance the process for monitoring performance management data for trends, responding to potential problems, and assessing overall program effectiveness

As highlighted in the Report, the CFPB's Office of Human Capital currently generates weekly reports on the status of performance management activities and uses these reports to monitor progress in completing performance management activities. In response to identified trends, in both FY 2012 and FY 2013, the Office of Human Capital increased and refined its communications with managers about process steps, the importance of deadline compliance, strategies for managing incremental deadlines within offices and divisions, and strategies for providing employees with sufficient time to review and acknowledge performance documents. We are pleased that of the many steps involved in the performance management process, the OIG only noted one step – the mid-point performance review – that could benefit from enhanced monitoring. The mid-point performance review is an informal performance discussion involving no issuance of performance ratings, as distinct from the formal year-end performance appraisal process which directly results in an employee's performance rating. While the Bureau ultimately has no legal or regulatory mechanism through which to compel an employee to sign their mid-year review form, we recognize the importance of monitoring this data point as a potential indicator of employees' perceptions about the performance management system. We will implement enhanced monitoring procedures for this step, beginning with the FY 2015 performance management cycle. In addition, we are formally documenting all of our performance management program evaluation practices in a Standard Operating Procedure that will include specific procedures for monitoring performance management data for trends, responding to potential problems, and assessing overall program effectiveness. This procedure will be completed by March 31, 2015.

CFPB Management Response to Recommendation #6

Develop an internal process to ensure supervisors' compliance with the requirement to counsel employees at risk of falling below the acceptable level of performance; the process should include maintaining documentation of counseling sessions

We have adopted this recommendation and formally documented our process in a Standard Operating Procedure entitled "Documenting Declining Performance". The Standard Operating Procedure was finalized and approved on January 16, 2015. The new process includes a requirement for the Office of Human Capital to send a quarterly notice to all CFPB managers and supervisors reminding them of their obligations to counsel employees whose performance is at risk of falling below the acceptable level. The first of these quarterly reminders was sent on January 20, 2015.

CFPB Management Response to Recommendation #7

Enhance the existing performance measures that are already included in supervisors' individual performance plans to address managing employees who are below the solid-performer level

We recognize that supervisors have an obligation to coach and counsel employees who are struggling with their performance. As such, all CFPB supervisors' performance plans currently include a competency requirement for "Leading, Managing, and Developing Others". This competency requires supervisors to provide "ongoing, timely feedback and monitoring" of employees, and to assess employees' performance "in order to make improvements or take corrective action". As noted in the Report, the CFPB and NTEU reached agreement on a new Performance Management article as part of the collective bargaining process in June 2014. This article contained new requirements for supervisors regarding performance counseling. Mandatory training was held for all supervisors that highlighted the new requirements. In addition, as outlined in our response to Recommendation #6 above, we have implemented a Standard Operating Procedure to ensure supervisors' compliance with the new counseling requirements, and initiated quarterly reminders to all supervisors of their obligations in this regard. The first of these quarterly reminders was sent on January 20, 2015. We will look for additional opportunities to highlight this responsibility as part of our work with NTEU to re-design the Bureau's performance management system.

CFPB Management Response to Recommendation #8

Enhance measures that relate supervisors' and senior managers' performance assessments to the progress of the CFPB's diversity initiatives, including the addition of specific supervisor and senior manager performance competencies related to promoting diversity and inclusion

The CFPB deeply believes in equal opportunity and fairness and recognizes that there remain opportunities to expand diversity and inclusion in the Bureau and its work. As noted in the Report, CFPB has developed a new competency model that specifically features a new leadership competency model for all CFPB supervisors, managers, and senior leaders. The new leadership competency model places an increased emphasis on diversity and inclusion behaviors throughout, and includes a specific competency called "Building and Managing Inclusive Relationships". The model is in the final stages of development. Once finalized, we intend to use the new competencies to help tie supervisory and senior management performance to the progress of CFPB's diversity initiatives. In the interim, we have taken steps within our existing performance management system to reinforce the critical role that supervisors and senior managers play in achieving a diverse and inclusive workplace by providing specific examples of behaviors they can follow. This guidance was signed by the Director on December 9, 2014 and will be communicated broadly by April 30, 2015.

CFPB Management Response to Recommendation #9

Develop and implement a formal succession planning process that encourages diversity in the CFPB's senior management and in mission-critical positions

The CFPB is committed to ensuring diversity within the CFPB senior management and leadership positions. As such, and noted in the Report, the CFPB has developed a Succession Management Guide (Guide) as a roadmap for designing a succession management program at the CFPB. The Guide will be used as a starting point for conversations with CFPB senior leadership about succession management during FY15. Additionally, the CFPB has launched a series of cohort-based leadership and supervisory development programs. The CFPB's Leadership Excellence Seminars are mandatory for all managers and supervisors at the CN-60 level and above. This program provides Bureau leaders at the mid- and senior levels with a unified leadership curriculum and philosophy to help ensure the Bureau is

supporting leaders at all levels. The CFPB's commitment to fostering diversity in senior management and mission-critical positions is reflected in the considerable diversity throughout CFPB's senior level employee population, which compares favorably to similar agencies.

CFPB Management Response to Recommendation #10

Ensure the accuracy and completeness of Equal Employment Opportunity (EEO) complaint data by evaluating publicly reported No FEAR Act data and updating these data, if necessary and reconciling, as necessary, the EEO complaint case files to the complaint data maintained in the tracking spreadsheet currently in use

We have adopted this recommendation and reported the FY 2012 No FEAR Act data provided by the Department of Treasury as administrator of the CFPB's EEO complaint program in FY 2012. The CFPB will also request that the Department of Treasury confirm the accuracy of the data it provided to us for the No FEAR Act reporting purposes and reconcile any discrepancies in the data initially provided. Additionally, the CFPB's Office of Equal Employment Opportunity has drafted an internal Operations Manual and Processing Guide that sets forth internal processes for case handling, including data tracking. Moreover, beginning in December 2014, the Office of Equal Employment Opportunity initiated a preliminary review to reconcile Excel data with case files as part of the transition from Excel to other tracking methods. The Office of Equal Employment Opportunity also drafted a new Standard Operating Procedure entitled "EEO Complaint Data - Monthly Reconciliation" on January 28, 2015 which will be implemented in March 2015. The CFPB will review and amend FY 2013 No FEAR Act data reporting on <http://www.consumerfinance.gov/no-fear-act/>, as necessary, as part of the transition to a commercially available complaint tracking system, which is scheduled to occur in FY 2015.

CFPB Management Response to Recommendation #11:

Ensure that any new database or complaint tracking system facilitates efficient No FEAR Act reporting and includes internal controls that are designed and implemented to ensure the accuracy and completeness of complaint data

The CFPB's Office of Equal Employment Opportunity has adopted this recommendation. The internal process for approval and acquisition of a commercial system is underway and reflects efforts to separate such functions from the previous Department of the Treasury process. This project received formal CFPB approval November 2014; roll-out is scheduled for the end of FY 2015. The CFPB will establish appropriate guidelines, develop additional training materials, and refine internal processes regarding accurate and complete data entry by staff.

CFPB Management Response to Recommendation #12

Reconcile, as necessary, the negotiated grievance case files to the grievance data currently maintained in the tracking spreadsheet currently in use

We have adopted this recommendation and formally documented our process in a Standard Operating Procedure entitled, "Labor and Employee Relations Monthly Grievance Reconciliation". The Standard Operating Procedure was finalized and approved on January 16, 2015. The new process provides enhanced procedures for maintaining grievance data going forward. It also provides for a review of the current master grievance tracker to audit and reconcile negotiated grievance case files to the grievance data currently maintained in Excel, which was completed on January 6, 2015. Notably, when we

completed this review, it confirmed that our case files contained all required documentation, including responses to each stage of the grievance process and documentation of the disposition of each grievance (withdrawal, settlement, etc.). In addition to these efforts, we have initiated the procurement process for a new automated tracking system and anticipate implementing the new system by the end of FY 2015 as mentioned in Recommendation #11.

CFPB Management Response to Recommendation #13

Design and implement the appropriate internal controls in the negotiated grievance tracking system to ensure the accuracy and completeness of grievance data

As discussed in the response to Recommendation 12 above, we undertook a review of the current master grievance tracker spreadsheet to ensure all grievance data was accurate and complete. That review was completed on January 6, 2015. The review confirmed that our case files contained all required documentation, including responses to each stage of the grievance process and document of the disposition of each grievance (withdrawal, settlement, etc.). Moreover, as stated in our response to Recommendation 12 above, we will follow the Labor and Employee Relations Monthly Grievance Reconciliation Standard Operating Procedure to ensure that we maintain sufficient controls to ensure accuracy and completeness of data in our grievance tracking tool.

CFPB Management Response to Recommendation #14

Monitor the effectiveness of the OEEEO's newly created procedures that are designed to prevent duplicate filing of EEO complaints and negotiated grievances

The CFPB has adopted this recommendation. As noted in the Report, we have taken steps to address this concern by developing and implementing procedures to prevent duplicate filing of formal EEO complaints and negotiated grievances. These efforts began in June 2014 when representatives from the Office of Human Capital and Office of Equal Employment Opportunity met with NTEU to ensure that the NTEU was informing bargaining-unit employees of the negotiated grievance or EEO complaint options and the potential consequences of either choice. Additionally, the Office of Equal Employment Opportunity shared with the NTEU an enhanced notice form developed for employees filing an EEO informal complaint that explained in more detail the employees' options under either the EEO process or the negotiated grievance procedure. In November 2014, we formally documented this process in a joint Standard Operating Procedure entitled "Election of Negotiated Grievance or EEO Complaint Procedures". Notably, to date, we have not identified a case in which an EEO complaint and negotiated grievance that raised the same issue was inappropriately processed under either procedure.

CFPB Management Response to Recommendation #15:

Implement the CFPB's diversity and inclusion strategic plan, which would satisfy the requirement to implement the U.S. Office of Personnel Management's Government-Wide Diversity and Inclusion Strategic Plan

We have adopted this recommendation. As the report notes, the Office of Minority and Women Inclusion (OMWI) has drafted diversity and inclusion strategic plan in accordance to the OPM Government-Wide Diversity and Inclusion Strategic Plan which will be formalized by June 30, 2015. Implementation will occur on an ongoing basis with results reported in the OMWI Annual Report, starting with the 2016 OMWI Annual Report.

CFPB Management Response to Recommendation #16:

Formalize as a policy statement the standards on which OMWI relies for equal employment opportunity and the racial, ethnic, and gender diversity of the workforce and senior management of the agency.

The CFPB has adopted this recommendation and has taken steps to formalize a policy statement to make clear to all employees the standards on which OMWI relies for equal employment opportunity, which will be formalized by June 30, 2015. Section 342(b)(2)(A) of the Dodd-Frank Act requires each OMWI Director to develop standards for equal employment opportunity and the racial, ethnic, and gender diversity of the workforce and senior management of the agency. CFPB's OMWI carefully considered the requirements of these three subsections when the office was created in 2012. Baseline standards for the equal employment opportunity (EEO) portion of subsection (A) have been long established by the Equal Employment Opportunity Commission, the government agency with responsibility for enforcing the anti-discrimination protections of Title VII for federal government agencies. Baseline standards and guidance for workforce diversity government-wide have been developed by the Office of Diversity and Inclusion at the Office of Personnel Management. The Bureau currently follows both of these standards.

CFPB Management Response to Recommendation #17:

Ensure that diversity and inclusion training is mandatory and provided to all employees and supervisors on a regular basis and is evaluated for effectiveness using performance metrics and that the results are incorporated into the training, as needed

We have adopted this recommendation and recognize the need to expand diversity of representation and perspective in the Bureau and its work. In January 2015, Director Cordray signed a decision memo to make a course mandatory for all employees, thus fulfilling the first part of this recommendation. The Bureau has offered diversity and inclusion training for all employees since March 2013. While this training has not been mandatory prior to 2015, it has been strongly encouraged that employees attend. More than 700 employees have been trained, including employees in three of the Bureau's four regional offices. In addition, the July 2014 All-Hands Meeting with most employees in attendance included a training panel with experts, including professors from Columbia University and the University of Southern California, and from the Office of Personnel Management. In addition, OMWI has begun to offer training for managers and supervisors in diversity and inclusion. Senior leadership of the Bureau participated in the training. Managers and supervisors will continue to be strongly encouraged to attend this training. Moreover, OMWI plans to provide additional diversity and inclusion training for all employees, following the initial offering. The second part of the recommendation will be implemented on an ongoing basis, and results will be reported in the OMWI Annual Report, starting with the 2016 OMWI Annual Report. All trainings will be evaluated using questionnaires and surveys, and by using performance metrics developed and informed by the Bureau's annual employee survey, strategic plan, and through individual performance plans. Results will be incorporated into the training as appropriate.

Sincerely,



Richard Cordray

Director, Consumer Financial Protection Bureau

cc: Melissa Heist, Associate Inspector General for Audits and Evaluations
J. Anthony Ogden, Deputy Inspector General
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