



OFFICE OF INSPECTOR GENERAL

Inspection Report

*Affirmative Employment Program
Action Plan
01-03*

Farm Credit Administration

Office of the Inspector General
Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102-5090



May 23, 2001

The Honorable Michael M. Reyna
Chairman of the Board and
Chief Executive Officer
Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102-5090

Dear Mr. Reyna:

The Office of the Inspector General completed an inspection of the Farm Credit Administration's (FCA) Affirmative Employment Program Action Plan (AEP). The objective of this inspection was to evaluate the current status of actions set up in FCA's AEP.

We found the AEP represents a positive step to promote Equal Employment Opportunity (EEO), Affirmative Action, and Diversity programs at FCA. The Agency has made some progress toward fulfilling the AEP. However, the progress is far below the standards set in the AEP. The agreed upon actions will refine and clarify the AEP. These actions will make the AEP more effective in achieving its stated goals.

During our review, we noted FCA office directors do not have signed performance plans as prescribed by Agency policy. The agreed upon action will require reporting to you of all instances where offices are not complying with the Agency policy.

We performed the inspection following the President's Council on Integrity and Efficiency *Quality Standards for Inspections*. We conducted fieldwork from April 17 through May 8. We provided a draft report to program officials on May 9 and a final draft on May 18. I discussed the report with Cheryl Macias, Chief Operating Officer and, Eric Howard, EEO Director on May 22.

If you have any questions about this inspection, I would be pleased to meet with you at your convenience.

Respectfully,

Stephen G. Smith
Inspector General

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BACKGROUND

The Farm Credit Administration (FCA or Agency) is an independent Federal financial regulatory agency. FCA has regulatory, examination and supervisory responsibilities for the Farm Credit System (System) banks, associations, and related institutions. FCA employs fewer than 300 people. Personnel related costs account for about 81 percent of the Agency's \$38.4 million fiscal year 2001 budget.

Affirmative Employment Plan

The Chairman and Chief Executive Officer (CEO), Michael M. Reyna, signed the Affirmative Employment Program Action Plan (AEP or Plan) on September 20, 2000. The AEP provides a framework of actions for increasing the Agency's workforce diversity by improving representation of and opportunities for women and minorities in the Agency's workforce.

The Agency is not required to have an AEP because it has fewer than 500 employees. However, the CEO believes workforce diversity is a distinguishing characteristic of high quality organizations. Agency management and staff developed the AEP using the Equal Employment Opportunity (EEO) Commission's Management Directive 714 – Instructions for the Development and Submission of the Federal Affirmative Employment Multi-Year Plans, Annual Accomplishment Reports, and Annual Plan Updates. The Plan resulted from intensive work by the EEO Director and the EEO Advisory Committee. The Plan reflects an agency serious about, and dedicated to, increasing workforce diversity.

The AEP focuses on the following five goals:

1. Building commitment to and developing awareness of the AEP.
2. Fixing accountability and checking progress.
3. Setting up targeted recruiting.
4. Keeping a workforce that reflects the diversity of the nation.
5. Expanding the Upward Mobility Program to a Career Development Program.

To carry out the goals, the AEP contains various general "methods" with 24 separate action steps. Each of the action steps has a group of individuals who are responsible for completing the actions.

OBJECTIVE AND SCOPE

The objective of this inspection was to evaluate the current status of actions set up in FCA's AEP. The parties responsible for completing the action steps provided documentation and we completed an analysis to determine if the actions have had any measurable impact on FCA practices. We conducted this review following the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

FINDINGS AND RECOMMENDATIONS

The AEP represents a positive step to promote EEO, Affirmative Action, and Diversity programs at FCA. The CEO's decision to adopt an AEP even though the law does not compel FCA to have one, displays a commitment to good business practices and strong values. The Agency has made some progress toward fulfilling the AEP. However, the progress is far below the standards set in the AEP. In addition, refinement and clarification would make the AEP more effective.

The AEP has 20 of its 24 actions due for completion by March 31, 2001. Of the actions due, five are complete, four are partially complete, and 11 are incomplete. Several reasons including vague action steps, lack of clear accountability, and aggressive timeframes without commensurate staffing contributed to the delay in completing the actions.

Vague Action Steps

Several of the action steps are vague which contributed to their lack of completion. For example, one step refers to "training on the new policy." Most managers responded that they had the training during December 2000 at a session that included some harassment training. However, the EEO Director and the Director of the Office of Chief Administrative Officer (OCAO) responded that they will develop the training after adoption of the new EEO Policy and the new harassment policy.

Other action steps use words like innovative and comprehensive without further definition. This can result in varied and subjective interpretations of the action needed. One action step calls for "implementation of innovative practices to encourage external professional training." Several office directors noted they were doing this with traditional training and individual development plans. It is not clear that this is an innovative approach. As another example, an action calls for "a comprehensive program of training, focus groups, and other activities designed to address ...diversity...." The EEO Director has taken several actions to advance accomplishment of this step. However, office directors, who share responsibility, have not taken similar actions.

Unclear Accountability

Most action steps (23 of 24) have more than one person responsible (usually all office directors). The AEP states:

"Moreover, the plan establishes accountability for meeting planned initiatives and monitoring progress. Accountability for implementing the plan is essential if the concept of workforce diversity is to become institutionalized in the Agency's culture."

Because the plan addresses the culture of the entire Agency, multiple managers must be accountable for fulfilling the AEP. At the same time, this can dilute accountability for many of the action steps and lead to disjointed efforts. The plan does not include a

mechanism to follow up or measure progress. The Chairman of the EEO Advisory Committee stated the committee was responsible to note progress on the AEP yearly. The AEP would be strengthened if it included individual champions for the goals or "methods" and a champion to oversee overall progress more often than yearly.

The AEP goals do not contain related performance measures. Without a balanced set of performance measures, it will be difficult to decide if the Agency is achieving the outcomes that it expects. While the AEP should not contain hiring quotas, it could address measures such as the number of qualified applicants from underrepresented populations or percent of training funds devoted to underrepresented populations.

Aggressive Timeframes

With 20 of the 24 action steps targeted for completion within 6 months of adoption of the plan; the dates set in the AEP were aggressive and needed a high-level of effort. While this is not a problem in and of itself, the EEO Director noted the target dates were unrealistic. He stated aggressive timeframes resulted when staff did not properly adjust the due dates during the lengthy management review and approval of the AEP.

In addition, some action steps have a domino effect on others. If one action step was incomplete, it can cause others to be incomplete if the timeframes are too aggressive. For example, training on a harassment policy was due on adoption of the AEP (September 20) but the policy was due by December 31.

Finally, the EEO Director did not have enough time to complete his assigned actions. The AEP names the EEO Director as a responsible party in 18 (75%) of the action steps. However, this is only part-time position. Appropriately, the EEO Director pointed out that he places a priority on addressing issues where there are legal timeframes and or externally imposed reporting requirements. These responsibilities reduce the time he has to devote to EEO program issues such as the AEP.

Agreed Upon Actions

- 1. The EEO Director will clarify the action steps to remove misconceptions and ensure all parties clearly understand the meaning of all action steps.***
- 2. The AEP will be revised to incorporate a champion for the entire plan as well as champions for the individual goals. The revision will provide for quarterly reporting to check progress on the plan.***
- 3. The AEP will contain performance measures and, at a minimum, the performance measures for the EEO Director and the Office of Chief Administrative Officer will incorporate the AEP performance measures.***
- 4. Management will increase the staff time devoted to the AEP or extend the timeframes within the AEP to make the accomplishment of the AEP more practicable.***

OTHER RELATED ISSUES

During the review of the AEP, we noted the Agency developed a new performance element for all managers. While this partially completed the action step, we found the office directors (including the Inspector General) did not have signed performance plans. FCA Policies and Procedures Manual (PPM) section 841 entitled "Performance Appraisal System" states:

"Performance plans must be established and communicated to employees in writing at the beginning of the appraisal period. This should be done before the appraisal period begins, **but not later than 60 days** after the beginning of the period. **The importance of establishing performance plans on a timely basis** cannot be overemphasized."

Performance plans are a foundation for sound personnel management and FCA's pay for performance program. The lack of adherence to the PPM weakens the Agency's ability to hold employees (including executives and managers) accountable and can undermine the pay for performance program.

Agreed Upon Action

- 5. The Chief Administrative Officer will change PPM 841 to require reporting to the CEO on all managers who have employees without a signed performance plan as prescribed by the PPM.***