

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM



GOVERNMENT PERFORMANCE AND RESULTS ACT
PERFORMANCE REPORT
2004–05

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INTRODUCTION

ABOUT THIS BIENNIAL PERFORMANCE REPORT

Consistent with the requirements of the Government Performance and Results Act (GPRA), this Performance Report for 2004–05 is based on two earlier Board documents covering the same period—the Strategic Planning Document (www.federalreserve.gov/boarddocs/rptcongress/gpra2004.htm) and the Biennial Performance Plan (www.federalreserve.gov/boarddocs/rptcongress/gprabi2004_5.htm), both published in 2004. The report covers two years rather than just one because the Board uses a biennial budget.

Like the Board’s Performance Plan for 2004–05, this Performance Report for 2004–05 focuses on four areas: the monetary policy function, the supervision and regulation function, operations of the Board in overseeing System activities, and management actions to improve effectiveness and efficiency. Although a discussion of the Federal Reserve System and its structure is provided below to help explain the performance measures used by the Board, this Performance Report focuses solely on the operations of the Board.

As required by the GPRA, this report is independent of other Board documents. However, considering the report in conjunction with other Board documents gives a more detailed picture of Board planning, budget, operations, and performance. As required by the Federal Reserve Act, the Board annually submits to the Congress a report describing in detail the operations of the System for the previous year. Since 1985 the Board has also provided the Congress with a supplement, the *Annual Report: Budget Review*, which describes in detail the plans and resources discussed in the approved budgets of the Board and the Reserve Banks. The most recent versions of these two documents were provided to the Congress in spring 2006.

OVERVIEW OF THE FEDERAL RESERVE SYSTEM

The Federal Reserve System is the central bank of the United States, established by the Congress to provide the nation with a safer, more flexible, and more stable monetary and financial system. Over the years, the Federal Reserve’s role in banking and the economy has expanded; today, its duties fall into three broad areas:

1. Conducting the nation’s monetary policy by influencing money and credit conditions in the economy in pursuit of maximum sustainable employment and stable prices;
2. Supervising and regulating banking institutions to ensure the safety and soundness of the nation’s banking system; maintaining the stability of the financial system and containing systemic risk that may arise in financial markets; protecting the credit rights of consumers; and encouraging banks to meet the credit needs of consumers, including those in low- and moderate-income neighborhoods; and

3. Playing a major role in operating the nation's payment system by providing certain financial services to the U.S. government, to financial institutions, and to foreign official institutions.

Structure of the System

The Federal Reserve System was structured by the Congress to give it a broad perspective on the economy and on economic activity in all parts of the nation. It is a federal system, composed of a central governmental agency—the Board of Governors in Washington, D.C.—and twelve regional Federal Reserve Banks located throughout the nation. These two components of the System share responsibility for supervising and regulating certain financial institutions and activities, for providing banking services to depository institutions and the federal government, and for ensuring that consumers receive adequate information and fair treatment in their business with the banking system.

Another major component of the System is the Federal Open Market Committee (FOMC), which is made up of the seven members of the Board of Governors, the president of the Federal Reserve Bank of New York, and presidents of four other Federal Reserve Banks, who serve on a rotating basis. The FOMC is charged under law with overseeing open market operations, the principal tool of monetary policy. The FOMC also directs operations undertaken by the Federal Reserve in foreign exchange markets.

The Federal Reserve System is an independent central bank, but only in the sense that its decisions do not have to be ratified by the President or anyone else in the executive branch of government. The entire System is subject to oversight by the Congress because the Congress has, under the Federal Reserve Act, delegated its constitutional power to coin money and set its value to the Federal Reserve. The Federal Reserve works within the framework of the overall objectives of economic and financial policy established by the government; therefore, the description of the System as “independent within the government” is more accurate than “independent.”

Board of Governors

The Board of Governors was established as a federal government agency. It is composed of seven members appointed by the President and confirmed by the Senate. The full term of a Board member is fourteen years; the appointments are staggered so that one term expires on January 31 of each even-numbered year. The Chairman and the Vice Chairman of the Board are also appointed by the President and confirmed by the Senate. The nominees to these posts must already be members of the Board or must be simultaneously appointed to the Board. The terms for these positions are four years.

Federal Reserve Banks

The Congress chartered the twelve Federal Reserve Banks as operating arms of the central banking system. Each Reserve Bank is a separate legal entity whose makeup and organization incorporate both public and private elements. Each Bank has its own board of nine directors chosen from outside the Bank. However, as part of the Federal Reserve System, the Banks are subject to oversight by the Congress. In addition, the Board of

Governors exercises broad authority over the Banks' operations and activities, including the Banks' provision of priced services to financial institutions; their provision of fiscal agency and depository services to the federal government and some other entities; and their examination and supervision of state member banks, bank holding companies, and foreign bank organizations operating in the United States. Each Reserve Bank must submit its annual budget to the Board of Governors for approval, and the appointment and salary of its president are subject to Board approval.

MISSION, VALUES, AND GOALS OF THE BOARD OF GOVERNORS

Mission

The mission of the Board is to foster the stability, integrity, and efficiency of the nation's monetary, financial, and payment systems so as to promote optimal macroeconomic performance.

Values

The following values of the Board guide its organizational decisions and its employees' actions:

- *Public interest.* In its actions and policies, the Board seeks to promote the public interest. It is accountable and responsive to the general public, the U.S. government, and the financial community.
- *Integrity.* The Board adheres to the highest standards of integrity in its dealings with the public, the financial community, and its employees.
- *Excellence.* The conduct of monetary policy, responsibility for bank supervision, and maintenance of the payment system demand high-quality analysis, high performance standards, and a secure, robust infrastructure. The pursuit of excellence drives the Board's policies concerning recruitment, selection, and retention policies for Board employees.
- *Efficiency and effectiveness.* In carrying out its functions, the Board is continually aware that its operations are supported primarily by public funds, and it recognizes its obligation to manage resources efficiently and effectively.
- *Independence of views.* The Board values the regional nature of the System as well as the diversity of its employees; input from a variety of sources; and the independent professional judgment that is fostered by the System's highly valued regional structure. It relies on strong teamwork to mold independent viewpoints into coherent, effective policies.

Goals

During 2004–05, the Board had five primary goals with interrelated and mutually reinforcing elements:

1. Conduct monetary policy that promotes the achievement of maximum sustainable long-term growth and the price stability that fosters that goal.

2. Promote a safe, sound, competitive, and accessible banking system and stable financial markets.
3. Enforce the consumer financial services laws fully and fairly, protect and promote the rights of consumers under these laws, and encourage banks to meet the credit needs of consumers, including those in low- and moderate-income neighborhoods.
4. Foster the integrity, efficiency, and accessibility of U.S. payment and settlement systems.
5. Provide high-quality professional oversight of the Reserve Banks.

ROLE OF STRATEGIC PLANNING

Unlike the budgets of most other government agencies, the Board's budget is not subject to the congressional appropriations process or to review by the administration through the Office of Management and Budget. Rather, the Board establishes its budget formulation procedures, conducts strategic planning to identify changes to its critical activities and the proper amount and allocation of resources to support its mission, approves its budget, and provides various reports and budget testimony to the Congress.

The Board, like the framers of the Federal Reserve Act, considers the continuance of its budgetary independence directly relevant to the Board's independence in managing monetary policy. To maintain budgetary independence, the Board believes that it must demonstrate effective and efficient use of its financial resources. Resource management begins with a clear mission statement, identification of goals, a review of factors that might affect the long-term attainment of the goals, and consideration of possible responses to those factors. With the establishment of objectives to attain those goals and identification of the resources needed to accomplish them, the Board develops the budget necessary to implement its strategic plan.

Strategic planning is a critical factor in ensuring the long-term effectiveness of Board operations and in minimizing costs. Effectiveness is improved through timely identification of threats and opportunities to improve operations. Efficiency is increased by early identification of issues and timely responses. Major factors affecting the current strategic plan include the following:

1. Changes in Federal Reserve System structures (financial services and Federal Reserve information technology) that require attention in terms of oversight and governance, although the direct effect on the current Board budget is minimal
2. The need to sharpen our management model to
 - identify potential non-core activities;
 - streamline reporting channels;
 - develop better performance metrics for each division and major Board function; and
 - provide comparative Boardwide management data to senior staff
3. Continuing advances in automation and telecommunication technologies that will
 - reduce reaction time available to address systemic issues;

- further change the complexity of financial products;
 - require and make possible enhanced systems for identifying, measuring, and pricing risk;
 - improve capabilities for gathering, analyzing, and sharing data;
 - require increased standardization of System supervision and regulation automation tools and databases and improved coordination of plans, strategies, actions, and information sharing with other domestic and foreign regulators; and
 - provide significant opportunities to improve communication with the public
4. The need to monitor and manage risk associated with increasing security costs and “regulatory burden”
 5. The need for actions and policies that attract and maintain a highly motivated, properly trained, and fairly compensated professional workforce
 6. The need for contingency plans related to disaster recovery and the safety of personnel and information because of continued security threats
 7. The current state of the U.S. and foreign economies, and the need to manage diverse views on the effect of the federal deficit on Board operations and expenses

As technological and other changes accelerate, planning is essential to the effective and efficient conduct of the Board’s operations. A particular challenge to government organizations in this regard is identifying the appropriate measures of performance. The Board’s strategic planning effort recognizes key differences between government and private-sector strategic planning and results measurement. Private planning can use measures of cost and revenue derived from prices determined in competitive markets; the results of that planning are reflected in the ability of the private entity to prosper over time. The government does not have direct competition in certain areas and has a monopoly in others (conducting monetary policy, for example), and establishing a proxy for costs and prices is extraordinarily difficult. Moreover, the results are judged relative to public policy objectives embodied in law, which often are not readily measurable. Nonetheless, the Board tries to accomplish its mission effectively while creating the efficiencies that come from strategic planning, recognizing that analogies to the private sector are just that. Thus, the Board’s central planning objective is oriented toward achieving effectiveness and efficiency specific to the functions it serves.

MONETARY POLICY FUNCTION

GOAL

Conduct monetary policy that promotes the achievement of maximum sustainable long-term growth and the price stability that fosters that goal.

OBJECTIVES

1. Stay abreast of recent developments and prospects in the U.S. economy and financial markets, and in those abroad, so that monetary policy decisions will be well informed.
2. Enhance our knowledge of the structural and behavioral relationships in the macroeconomic and financial markets, and improve the quality of the data used to gauge economic performance, through developmental research activities.
3. Implement monetary policy effectively in rapidly changing economic circumstances and in an evolving financial market structure.
4. Contribute to the development of U.S. international policies and procedures, in cooperation with the U.S. Department of the Treasury and other agencies.
5. Promote understanding of Federal Reserve policy among other government policy officials and the general public.

PERFORMANCE MEASURES

The performance of monetary policy in relation to evolving economic and financial circumstances will continue to be reviewed by the Congress in the context of the Board's semiannual monetary policy report and the accompanying testimony. The Congress has not chosen to establish quantitative objectives for monetary policy in statute. Moreover, it is recognized that monetary policy has only a partial and indirect influence on economic performance.

RESOURCES

For the 2004–05 biennium, resources worth approximately \$210.0 million were expended to meet this goal. This amount includes direct costs for 433 positions and allocated costs for support, facilities, and overhead. Support and overhead positions are not allocated to the functional areas.

SUPERVISION AND REGULATION FUNCTION

GOALS

Promote a safe, sound, competitive, and accessible banking system and stable financial markets.

Enforce the consumer financial services laws fully and fairly, protect and promote the rights of consumers under these laws, and encourage banks to meet the credit needs of consumers, including those in low- and moderate-income neighborhoods.

OBJECTIVES

1. Promote overall financial stability, manage and contain systemic risk, and ensure that emerging financial problems are identified early and resolved successfully before they become crises.
2. Provide a safe, sound, competitive, and accessible banking system through comprehensive and effective supervision of U.S. banks, bank and financial holding companies, foreign banking organizations, and related entities.
3. Enhance efficiency and effectiveness, while remaining sensitive to the burden on supervised institutions, by addressing the supervision function's procedures, technology, resource allocation, and staffing issues.
4. Promote adherence by domestic and foreign banking organizations supervised by the Federal Reserve with applicable laws, rules, regulations, policies, and guidelines through a comprehensive and effective supervision program.
5. Maintain a strong consumer compliance supervision and complaint investigation program that protects consumers and reflects the rapidly changing financial services industry.
6. Implement statutes designed to inform and protect consumers that reflect congressional intent, while achieving the proper balance between consumer protection and industry costs.
7. Promote equal access to banking services.
8. Promote community development in historically underserved areas.

PERFORMANCE MEASURES

1. Identify and resolve supervisory and financial problems in a timely manner, working alone or in cooperation with other authorities, to minimize disruptions to the financial and payment systems and the economy more generally.

2004–05 target: No specific target.

Results: In 2004 and 2005, there were no major disruptions from inadequate supervision.

2. Minimize net losses to the Bank Insurance Fund (BIF) from state member banks consistent with trend data associated with prevailing economic conditions.

2004–05 target: BIF losses from state member banks not to exceed premiums paid into the BIF by state member banks. (The FDIC assesses premiums against only those banks that have a less-than-satisfactory rating or are not well capitalized.)

Results

2004: One bank failure, but no net loss to the fund.

2005: No net loss to the fund.

3. Complete financial institution examinations as required by statute and dictated by a review of supervisory data and CAMELS ratings, experience, and an assessment of current risks to the financial industry.

2004–05 target: 98 percent of examinations conducted in accordance with 12- or 18-month statutory requirements; subsequent supervisory follow-up with banks rated CAMELS 3, 4, or 5, as required by Federal Reserve guidelines.

Results

2004: 98 percent of examinations of state-chartered member banks (SMBs) were conducted in the required time frame. Institutions with a CAMELS rating of 3, 4, or 5 received the appropriate supervisory follow-up, as required by Federal Reserve guidelines.

2005: 97 percent of SMB exams were conducted in the required time frame (9 of the 17 exams conducted outside the required time frame either involved a mid-cycle change in exam frequency from 18 months to 12 months, resulting from asset growth between exams, or were delayed slightly by state banking departments' inability to start exams within the required time frame). Institutions with a CAMELS rating of 3, 4, or 5 received the appropriate supervisory follow-up, as required by Federal Reserve guidelines.

4. Complete reports of examinations within established Federal Reserve time frames.

2004–05 target: Issue at least 90 percent of reports within 60 days of the examination-closeout meeting.

Results: In 2004 and 2005, at least 90 percent of reports were issued within 60 days.

5. Process applications within Board-established time frames.

2004–05 target: Process at least 90 percent of applications within statutory or Board guidelines.

Results: In 2004 and 2005, at least 90 percent of all applications were processed within the Board's 60-day processing guideline.

6. Conduct consumer compliance and CRA examinations in accordance with Board and statutory requirements.

2004–05 target: Complete 99 percent of compliance examinations within Board-established time frames.

Results: In 2004 and 2005, 100 percent of consumer compliance and CRA examinations were conducted within Board-established time frames.

7. Process consumer complaints received by the Board in accordance with Board-established time frames.

2004–05 target: Process 80 percent of consumer complaints received by the Board within Board guidelines.

Results: In 2004 and 2005, 92 percent of consumer complaints received by the Board were processed within Board guidelines.

8. Review and update various consumer regulations for which the Board has rule-writing authority.

2004–05 target: Complete revision of the regulatory guidance for the FACT Act as mandated by act provisions by year-end 2004; publish an Advance Notice of Proposed Ruling (ANPR) for a review of Regulation Z near third-quarter 2004; publish an ANPR for a review of Regulation DD after midyear 2005.

Results

Target 1: Complete revision of the regulatory guidance for the FACT Act as mandated by act provisions by year-end 2004.

Results 1:

1. Effective dates for FACT Act: Final rules—February 11, 2004.
2. Model notices about providing negative information to credit bureaus (sec. 217): Final rules—June 15, 2004.
3. Affiliate marketing (sec. 214): Proposed rules—July 15, 2004; no final rules to date.
4. Disposal of consumer information (sec. 216): Final rules —December 28, 2004.
5. Medical information (sec. 411): Final rules— November 22, 2005.
6. Furnisher accuracy (sec. 312(a)): ANPR—March 22, 2006.
7. Ability of consumer to dispute information with furnisher (sec. 312(c)): ANPR—March 22, 2006.
8. Red-flag guidelines (sec. 114): Proposed rules—Board approval for publication, approval by FTC pending.
9. Reconciling address information (sec. 315): Proposed rules —Board approval for publication, approval by FTC pending.
10. Risk-based pricing (sec. 311): No proposal, to date.

Target 2: Publish an Advance Notice of Proposed Ruling (ANPR) for a review of Regulation Z near third-quarter 2004.

Results 2: An ANPR for a review of Regulation Z's open-end credit rules was published on December 8, 2004. A second ANPR concerning open-end credit rules was published on October 17, 2005. The second ANPR solicited public comment on how the Board should implement amendments to Regulation Z made by the Bankruptcy Abuse and Consumer Protection Act of 2005.

Target 3: Publish an ANPR for a review of Regulation DD after midyear 2005.

Results 3: An ANPR to initiate a review of Regulation DD (Truth in Savings) was not published during 2005. More-limited rulemaking was initiated in May 2004, however. At that time, the Board published proposed amendments to Regulation DD to address concerns about the uniformity and adequacy of information about overdrafts on their deposit accounts provided to consumers. In May 2005, the Board issued final amendments to Regulation DD revising disclosure requirements for certain institutions at account opening, on periodic statements, and in certain advertisements. The affected institutions must implement these changes by July 2006. A new target date for a broader review of Regulation DD has not yet been established.

9. Promote equal access to banking services through various avenues.

2004–05 target: No target.

Results: In 2004, the Board provided leadership in the area of financial education and literacy at national, regional, and local levels. Board staff participated in interagency working groups created to fulfill the legislative mandates of the U.S. Department of the Treasury’s Financial Literacy and Education Commission. Board staff served on two of the commission’s working groups, providing technical assistance to efforts to design and launch a robust web site highlighting financial education resources available from federal government agencies and to frame a federal government strategy for improving financial literacy among American consumers. In October 2004, the web site, www.MyMoney.gov, and a toll-free number (1-888-my-money [1-888-696-6639]) were launched to provide consumers easy access to information resources.

In 2005, Board staff continued to serve on the working group established to draft a national strategy for improving financial literacy. In addition, a member of the Board of Governors served on the board of directors of NeighborWorks America, and Board staff were involved in strategic planning for the NeighborWorks Center for Homeownership Education and Counseling program. To support informed decision making regarding mortgage credit, staff developed a brochure describing the features of and implications of interest-only loans, a popular product in high-cost housing markets. Board and Reserve Bank staff also continued to support the Conference of Mayors’ financial education program, Dollar Wi\$, to increase awareness of the importance of personal financial management in various cities nationwide.

10. Promote community development in underserved areas through various avenues.

2004–05 target: Conduct a research conference in April 2005.

Results: In 2005, the System hosted a conference focusing on research in the area of community development titled “Promises and Pitfalls: As Consumer Finance Options Multiply, Who Is Being Served and at What Cost?” Papers presented at the conference assessed the impact of consumer behavior, alternative financial services providers, financial education, and other factors on consumers’ access to and experiences with the financial sector.

RESOURCES

For the 2004–05 biennium, resources worth approximately \$220.6 million were expended to meet these two goals. This amount includes costs for 400 positions and allocated costs for support, facilities, and overhead. Support and overhead positions are not allocated to the functional areas.

PAYMENT SYSTEM POLICY AND OVERSIGHT FUNCTION

GOALS

Provide high-quality professional oversight of Reserve Banks.

Foster the integrity, efficiency, and accessibility of U.S. payment and settlement systems.

OBJECTIVES

1. Produce high-quality assessments of Federal Reserve Bank operations, projects, and initiatives to help Federal Reserve management foster and strengthen sound internal control systems and efficient and effective performance.
2. Develop sound, effective policies and regulations that foster payment system integrity, efficiency, and accessibility. Support and assist the Board in overseeing U.S. dollar payment and securities settlement systems against relevant policy objectives and standards.
3. Conduct research and analysis that contributes to policy development and increases the Board's and others' understanding of payment system dynamics and risk.

PERFORMANCE MEASURES

1. Extent to which the Board completes all Reserve Bank reviews as scheduled; completes annual Reserve Bank examinations; and orders an external audit of Reserve Bank financial statements each year, as required by the Federal Reserve Act.

2004–05 target: Complete all reviews as scheduled.

Results: All reviews completed as scheduled.

2. Extent to which issues raised by the Board regarding Reserve Bank operations, internal audit, or proposed or ongoing initiatives effect positive change within the Reserve Banks.

2004–05 target: No specific target.

Results: Issues were addressed appropriately.

3. Extent to which the Board, working alone or in cooperation with other organizations, identifies significant operational or financial problems affecting the flow of large-value payments or book-entry securities transfers and resolves them in a way that minimizes disruption to the financial and payment systems specifically, and the economy more generally.

2004–05 target: No target specified.

Results: No major financial problems or disruptions to the financial or payment system.

4. Forward final Check 21 regulations to the Board by summer 2004.

2004–05 target: Report forwarded by summer 2004.

Results: Final amendments to Regulation CC and its commentary to implement Check 21 Act were issued in July 2004.

5. Request comment on revision to payment system risk policy as it applies to private-sector systems and incorporates recently adopted international standards in the second quarter of 2004; adopt final revised policy in 2005.

2004–05 target: Publish final changes by the fourth quarter of 2004.

Results: Revised policy issued in November 2004.

6. Monitor and ensure the full collateralization of Federal Reserve notes as defined by the Federal Reserve Act.

2004–05 target: Ensure 100 percent collateralization.

Results: 100 percent collateralization achieved.

7. Include payments-related questions in the 2004 Michigan Survey; produce research results in 2005.

2004–05 target: Produce results.

Results: Project postponed due to staff shortage and redirection of budgeted resources.

8. Produce research results from the depository institution check survey by the end of 2004; publish *Bulletin* article in 2005.

2004–05 target: Publish *Bulletin* article in 2005.

Results: Published “Trends in the Use of Payment Instruments in the United States” in spring 2005.

9. Extent to which the Board (through its oversight committees) is informed of important developments and issues in a timely and effective manner.

2004–05 target: No target.

Results: Board and oversight committees were informed in a timely and effective manner.

10. Respond in a timely manner to requests for policy interpretations, deviations, and exception.

2004–05 target: No specific performance target.

Results: All requests responded to in a timely manner.

RESOURCES

For the 2004–05 biennium, resources worth approximately \$94.6 million were expended to meet these goals. This amount includes direct costs for 196 positions and allocated costs for support, facilities, and overhead. Support and overhead positions are not allocated to the functional areas.

INTERNAL BOARD SUPPORT

GOAL

Foster the integrity, efficiency, and effectiveness of Board programs.

OBJECTIVES

1. Oversee a planning and budget process that clearly identifies the Board's mission, results in concise plans for the effective accomplishment of operations, transmits to the staff the information needed to attain objectives efficiently, and allows the public to measure our accomplishments.
2. Develop appropriate policies, oversight mechanisms, and measurement criteria to ensure that the recruiting, training, and retention of staff meet Board needs.
3. Establish, encourage, and enforce a climate of fair and equitable treatment for all employees regardless of race, creed, color, national origin, age, or sex.
4. Provide financial management support needed for sound business decisions.
5. Provide cost-effective, secure information resources management services to Board divisions, support divisional distributed-processing requirements, and provide analysis on information technology issues to the Board, Reserve Banks, other financial regulatory institutions, and central banks.
6. Efficiently provide safe, modern, secure facilities and necessary support activities conducive to efficient and effective Board operations.

PERFORMANCE MEASURES

1. Maintain budgetary independence.

2004–05 target: Maintain budgetary independence.

Results: Budgetary independence has been maintained.

2. Complete a comprehensive review of the Board's Performance Management Program and implement any desired changes.

2004–05 target: Perform review, analyze results, communicate with staff, and make changes as needed.

Results: The review was completed, major findings were shared with the staff, and the process was changed, particularly in terms of communication with staff.

3. Develop sufficient internal and external pools of qualified, diverse candidates with appropriate skills for all position postings.

2004–05 target: Increase the number of qualified and diverse candidates at the Board.

Results: Successfully filled approximately 70 percent of vacant positions. Positions were filled with qualified internal and external candidates from diverse recruiting pools. A separate, multi-year effort is under way to examine workforce planning, including a study of the changing workforce, the expectations of a younger workforce, and how the Board can continue to be successful in attracting and retaining talent.

4. Provide feedback to division directors via annual management reports.

2004–05 target: Conduct meetings in time for results to be incorporated in directors' performance appraisals.

Results: Reports were discussed with each director and the appropriate oversight committee in time to be reflected in the director's PMPs.

5. Report measurable participation in EEO-sponsored training and awareness, career development, recruitment, outreach, and intern programs.

2004–05 target: Increase the number of employees trained by 5 percent per year. Provide EEO training to affect resolution of complaints.

Results: Design of web-based EEO training was begun in 2005. The program, which will allow employees to access EEO training directly, will be implemented in 2006. A learning management report system will provide quantitative training information. The number of EEO complaint counseling sessions increased 30 percent from 2004 to 2005, but the number of complaints filed decreased 50 percent during that period. The decrease in the number of complaints for 2005 can be attributed to successful counseling, which resulted in resolution of concerns during the informal stage of the administrative process.

6. Establish a high-quality and useful web-based training program.

2004–05 target: Develop and implement a web site for Board staff during 2005.

Results: A web site was developed to educate employees about financial (including benefits), health, and career management issues.

7. Manage financial operations consistent with GAAP.

2004–05 target: Receive an unqualified opinion on the Board's annual financial

audit, comply with all applicable laws and regulations affecting the Board's financial operations, and maintain an adequate system of internal financial controls.

Results: The Board received an unqualified opinion on its financial statements from the outside auditors. No compliance issues were noted. A management letter and a reportable condition were noted as internal control findings in 2005. Correction of the internal control findings is a major management initiative in 2006.

8. Enhance Boardwide physical security and capacity for disaster recovery to reduce the time needed to resume normal operations.

2004–05 target: Development of the Board's relocation sites complete; tested against the Board's Continuity of Operations Plan.

Results: Completed on time and tested frequently during the period.

9. Complete the Martin Building sprinkler project, analyze the feasibility study of renovating the Martin Building, and develop a long-range space plan for accommodating the Board's workforce.

2004–05 target: Completion of the projects in a timely and efficient manner.

Results: Construction on the Martin Building sprinkler project was started in 2004 and was completed as scheduled in the spring of 2006. The feasibility study for a Martin Building renovation project was completed in 2004. Long-term space planning has begun and will require significant assistance from the human resources team to follow the direction provided by the Committee on Board Affairs to examine policy issues related to telecommuting and alternate work schedules that might affect office space requirements.

10. Complete the transition to armed law enforcement officers, including the development and implementation of appropriate institutional structures or organizations, policies, and procedures.

2004–05 target: Full complement of law enforcement officers recruited and trained.

Results: Completed on schedule.

RESOURCES

For the 2004–05 biennium, resources worth approximately \$220.9 million in costs for 930 positions, facilities, and other costs were expended to meet this goal. These expenses were allocated back to the Board's core functions and are included in the costs shown for those functions. The positions are not included in the position counts for the other functions.