Office of Inspector General

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The FDIC's Corporate Employee Program

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Background and Purpose of Evaluation

In 2005, the FDIC initiated the Corporate Employee Program (CEP) to respond to the growing consolidation and complexity within the financial services industry. The CEP is intended to: (1) provide opportunities for employees at all levels to identify, develop, and apply skills in multiple corporate functions through various training opportunities and cross-divisional work assignments and (2) create a workforce that possesses a common corporate perspective and is capable of responding rapidly to shifting priorities and changes in workload. The FDIC's Corporate University (CU) manages the CEP.

The initial CEP strategies were to: (1) provide current FDIC employees the opportunity to voluntarily be reassigned to the Division of Supervision and Consumer Protection (DSC) to become commissioned examiners through the In-Service Placement Opportunity Program; (2) provide current DSC examiners the opportunity to complete rotational assignments in the Division of Resolutions and Receiverships (DRR); and (3) hire new employees directly into the CEP program under non-permanent appointments to pursue training and practical experience in the FDIC business lines with the ultimate goal of obtaining a commission and the possibility of being converted to permanent employees.

CU's focus in regard to the CEP has been to hire and train entry-level employees as Financial Institution Specialists (FIS) and award certificates in business line disciplines, such as claims administration.

Evaluation of the FDIC's Corporate Employee Program

Results of Evaluation

The FDIC has made progress in implementing the CEP. Specifically, the FDIC completed (1) voluntary rotational assignments through which 189 DSC examiners completed training in DRR resolutions and receiverships functions and (2) an In-Service Placement Opportunity Program through which 52 employees transferred to DSC for examiner training—with 11 of the 52 achieving commissions. In addition, the FDIC hired over 400 new employees and placed 9 existing employees into the 4-year CEP program. Further, the FDIC developed Claims, Franchise and Asset Marketing, Asset Marketing, and Bank Secrecy Act/Anti-Money Laundering (BSA/AML) Certificate Programs. As of August 2008, CU had 15 CEP classes, of which:

- 232 FISs had completed the first rotational year,
- 220 FISs had earned Claims Certificates,
- 65 FISs had earned Franchise and Asset Marketing Certificates, and
- 4 FISs had earned examiner commissions.

CU has drafted guidelines and procedures for the CEP. CU has also made program changes when needed, such as altering the length and placement of first-year rotations; assigning a CU liaison to each FIS class; providing training to DSC coaches who work with FISs; enhancing the recruitment process to include "Super Friday" events; and, most recently, instilling greater program flexibility in response to concerns raised by the FDIC Chairman.

Establishing Performance Goals and Evaluating Program Costs

CU has prepared periodic reports discussing CEP implementation, and CU has established learning benchmarks that participants must meet during the program. CU has collaborated with the Human Resources Committee (HRC), the Division of Administration's (DOA) Human Resources Branch (HRB), and the CEP Executive Steering Committee since inception of the program to identify metrics and discuss program successes. The FDIC has also established various performance milestones, targets, divisional strategies, and other measures that indirectly relate to the CEP. However, CU could do more in this regard by establishing performance goals and targets specifically for the CEP and improving how it tracks and monitors overall CEP costs.

Participant, Management, and Examiner Views

CU survey results indicate that most FISs are either very satisfied or satisfied with their development during the first-year rotation and with their decision to accept positions at the FDIC. However, FISs expressed concerns related to the amount of training and knowledge retention, the lengthy FIS probationary period, and the level of communication from CU about the rigorous demands of the program. CU has worked to address these concerns by increasing communication directly with the FISs, enhancing the role of the CEP liaisons, launching the FIS BIZ newsletter, and enhancing the CEP SharePoint site.

FDIC management from the HRC, DSC, and DRR understand and agree with the basic CEP premise of developing cross-trained employees that are capable of responding rapidly to shifting priorities and changes in workload. DSC considers the CEP a good vehicle for addressing the FDIC's hiring and developmental needs when the banking industry is healthy, but acknowledged that DSC and DRR require the same cross-trained employees to address increases in bank examination and resolution activities, which causes a strain on staffing. The FDIC has employed several strategies to address this concern.

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Background and Purpose of Evaluation

Our objective was to assess the FDIC's efforts to implement the CEP by determining: (1) the number of employees participating and the degree to which they have completed the program, (2) whether the CEP has stated measurements for gauging program effectiveness, (3) participant and management views on the benefits and success of the program, and (4) the extent to which the CEP has produced cross-trained employees capable of responding to changes in examination or resolution and receivership priorities.

To view the full report, go to www.fdicig.gov/2009report.asp

Evaluation of the FDIC's Corporate Employee Program

Results of Evaluation (continued)

Finally, we were told that tenured examiners perceive that FISs are receiving more opportunities in and greater exposure to other areas of the Corporation, and, as a result, FISs are in a better position for future advancement than tenured examiners. CU officials told us that they are addressing these concerns. Although we did not evaluate the merit of these perceptions, they may warrant continued management attention.

Production of Cross-Trained Employees, Knowledge Retention, and Expansion of the CEP

The FDIC has relied on FISs to help respond to increases in resolution-related activity, and DRR officials have been complimentary of the FISs' efforts. We determined that as of August 2008, approximately 83 percent of the FIS Claims Certificate holders had been deployed to assist with bank closing activities. However, DSC and CU deployment information differed significantly. CU should work with DSC and DRR to ensure that tracking system information is accurate and can be used to deploy all certificate holders to the extent practicable and in a manner that maximizes knowledge retention.

CU recently notified BSA/AML Certificate holders of a requirement for continuing education to maintain their certificates and plans to implement a similar requirement for all certificate holders as part of CU's strategic plan.

CEP Expansion Beyond Entry-Level Business-Line Disciplines

In 2004 and 2005, the FDIC informed all FDIC employees that the longer-term plan for the CEP was to (1) expand the program to provide cross-training opportunities and expanded job knowledge and skills to include employees from all divisions and offices and (2) extend the CEP to mid- and senior-level positions. The FDIC has made progress in this area by awarding Claims and BSA/AML Certificates to non-FIS employees and deploying non-FISs to assist DRR. In addition, in 2008, the Corporation offered detail opportunities to all FDIC employees to participate in the Claims, Franchise and Asset Marketing, and Asset Marketing Certificate Programs.

More work remains to realize the initial concept of expanding the CEP beyond entry-level employees and the primary business lines. However, that work has been deferred, justifiably, to address necessary changes to the CEP in light of the current financial services industry crisis.

Recommendations and Management Response

This report contains six recommendations to strengthen the CEP by enhancing and finalizing CEP draft policy, establishing performance goals, improving how CEP costs are identified and measured, developing a system for tracking deployments and continuing education, ensuring that employees retain and utilize the knowledge they have gained through the CEP, and clarifying plans for expanding the program. Management concurred with five of the recommendations and agreed with the intent of the remaining recommendation. Management plans to implement corrective actions sufficient to address each recommendation.

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Office of Evaluations
Office of Inspector General

DATE: January 9, 2009

MEMORANDUM TO: Thom Terwilliger
Chief Learning Officer
Corporate University

[Signed]
FROM: Stephen M. Beard
Assistant Inspector General for Evaluations and Management

SUBJECT: *The FDIC's Corporate Employee Program*
(Report No. EVAL-09-001)

This report presents the results of our evaluation of the FDIC's Corporate Employee Program (CEP). The FDIC initiated the CEP to respond to the growing consolidation and complexity within the financial services industry. The CEP is intended to: (1) provide opportunities for employees at all levels to identify, develop, and apply skills in multiple corporate functions through various training opportunities and cross-divisional work assignments and (2) create a workforce that possesses a common corporate perspective and is capable of responding rapidly to shifting priorities and changes in workload. The FDIC's Corporate University (CU) administers the CEP.

EVALUATION OBJECTIVE AND APPROACH

Our objective was to assess the FDIC's efforts to implement the CEP by determining:

- the number of employees participating in and the degree to which they have completed the program,
- whether the CEP has stated measurements for gauging program effectiveness,
- participant and management views on the benefits and success of the program, and
- the extent to which the CEP has produced cross-trained employees capable of responding to changes in examination or resolution and receivership priorities.

To accomplish our objective, we reviewed relevant corporate and CU documents and interviewed FDIC management. We performed our evaluation from April to August 2008 in accordance with the *Quality Standards for Inspections*. Details on our objective, scope, and methodology are listed at Appendix I.

BACKGROUND

The FDIC introduced the CEP in late 2004. According to FDIC memoranda describing the CEP, the program is intended to:

- provide employees with skills needed to address significant spikes in business line workloads that may temporarily require shifting resources across business lines;[1]
- promote a corporate perspective and a corporate approach to problem solving;
- facilitate communication and the transfer of knowledge across all business lines, and foster greater career opportunity and job satisfaction.

The original concept of the CEP involved a three-prong implementation approach in the business line divisions with plans to eventually extend the CEP to employees from all FDIC divisions and offices and to mid- and senior-level positions. In 2005, the FDIC began pursuing the three initial strategies for implementing the program, as described below:

- <u>Crossover Program</u> – a voluntary program to begin to integrate key corporate skill sets across business lines. The crossover program allowed DRR staff to apply for an In-Service Placement Opportunity Program in DSC under which DRR staff would be required to obtain commissioned examiner status within a specific time frame. The FDIC extended the crossover program to FDIC employees in other organizations in addition to DRR.
- <u>Voluntary Rotational Assignments</u> – a voluntary DSC to DRR program provided DSC examiners opportunities to receive training and practical experience in resolutions and receivership functions and to earn a commission in resolutions and receivership work.
- <u>New Hiring</u> – hiring and training "Corporate Employees" at the CG-5 or CG-7 grade level under term appointments to pursue commissioned examiner status in either Risk Management or Compliance. While the new "Corporate Employees" pursue an examiner commission, they simultaneously receive training in resolutions and receivership functions with the ultimate goal of obtaining a commission and the possibility of being converted to permanent employees.[2]

The first CEP class started in June 2005 and consisted of FDIC employees participating in the crossover program as well as new hires. Since then, CU's focus in regard to the CEP has been to hire and train entry-level employees as Financial Institution Specialists (FIS) and to award FDIC certificates to CEP FISs and non-FIS employees in functional areas that are critical to the mission of the FDIC. The FDIC has established Certificate programs in the following areas:

- Risk Management – Bank Secrecy Act and Anti-Money Laundering.

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[1] Division of Supervision and Consumer Protection (DSC), Division of Resolutions and Receiverships (DRR), Division of Insurance and Research (DIR).

[2] CEP participants hired from outside the FDIC are appointed under the Federal Career Intern Program Schedule B hiring authority [5 CFR 213.3202(o)]. This is a time-limited excepted service appointing authority that provides for non-competitive conversion to a permanent, career, or career-conditional appointment in the competitive service. US Office of Personnel Management authorized (in February 2005) the FDIC's modification of the Federal Career Intern Program Schedule B hiring authority (5 CFR 213.3202(o)) to allow 3-year initial appointments.

- Resolutions and Receiverships – Claims, Franchise and Asset Marketing, and Asset Marketing.

CU, in collaboration with other FDIC divisions and offices and the Corporate Employee Steering Committee, is responsible for administering the CEP and establishing policies and procedures associated with the program. The CEP Program Director oversees the execution of all policy and program components that are related to the CEP and is supported by a staff of two managers, professional staff, administrative staff, and CEP class liaisons.[3] Rotational supervisors in DSC, DRR, and DIR are responsible for assigning experienced employees to serve as coaches to closely guide CEP FISs through their respective rotations to the business lines.

During the first year of the CEP, FISs are provided basic exposure to each of the FDIC's key business lines through a rotational program. After completion of the first year, FISs are assigned to a specific commissioning track in risk management or compliance. In October 2008, the FDIC added additional commissioning tracks for resolutions and receiverships. Upon successful completion of the CEP (3-4 years), FISs earn a commission in their primary area of specialization and competency certifications in specialized areas outside of their primary area of specialization.

The December 2004 CEP concept paper contemplated expanding the program to mid- and senior-level employees beyond the business line organizations and set forth the following as desired outcomes for the program:

- The CEP's initial focus would be primarily on the business lines, mostly DSC and DRR, but the expectation was to identify other areas within the Corporation where a program like the CEP could be applicable.
- The CEP is based on the premise that DSC will initially serve as a resource for corporate needs elsewhere (primarily DRR) and that over time, the FDIC will evolve toward a workforce throughout the Corporation in which employees at all levels will have training and experience in multiple disciplines or business lines.

[3] Beginning with the February 2007 CEP class, CU assigned each CEP class a CU liaison – a single individual to act as a CU point of contact for the FISs and liaison for the FDIC field offices where the CEP FISs are assigned.

EVALUATION RESULTS

CEP Participation and Program Completion

The FDIC has made progress in implementing the CEP. Specifically, the FDIC completed voluntary rotational assignments through which 189 DSC examiners completed training in DRR resolutions and receiverships functions and an In-Service Placement Opportunity Program through which 52 employees transferred to DSC for examiner training—with 11 of the 52 achieving commissions.

In addition, the FDIC hired over 400 new employees and placed 9 existing employees into the 4-year CEP program. As of August 2008, CU had 15 CEP classes, of which:

- 232 FISs had completed the first year of the program.
- 220 FISs had earned Claims Certificates.
- 65 FISs had earned Franchise and Asset Marketing Certificates.
- 4 FIS had obtained their examination commissions.
- 30 and 60 FISs were expected to obtain their commissions in 2008 and 2009, respectively.

Appendix II provides detailed information about individual FIS classes, first year completion rates, and certificates and commissions earned.

CU is currently working with DRR to complete the development of the DRR commissioning program and expects it to begin in October 2008. The program will offer two commissioning tracks, in bank resolution and receivership management, with the expectation that FISs should achieve their commissions within 3 years. DRR expects to have 24 FISs with commissions or in the process of obtaining commissions by 2010.

CU has also drafted policies and procedures for the CEP, established certificate programs for several FDIC business line disciplines, taken steps to reduce program attrition, and made changes to the CEP when needed, as discussed in the following sections.

CEP Policies and Procedures: CU is developing policies and procedures for the CEP, including a draft CEP Directive. CU also has published an On-the-Job Reference Guide for FISs that includes information about each rotation during the first year of the program. Further, CU has documented benchmark requirements for the FISs, procedures for evaluating FISs' performance, and continuing education requirements for maintaining Certificates.

We reviewed the draft CEP directive and noted that it addressed areas such as: general policy; roles and responsibilities; training plans; hiring and training guidelines; and program administration and evaluation. We are recommending that CU enhance its draft directive to ensure that it sufficiently addresses:

- the mission, desired program outcomes, and scope of the CEP;
- policy for setting performance goals and targets and capturing and reporting performance measurement information and gauging program success;

- policy for identifying and monitoring CEP program costs; and
- the roles and responsibilities of relevant divisions, offices, and committees such as the HRC in managing the CEP.

Certificate Programs: Beginning in 2006, CU implemented the Certificate Program to give employees an opportunity to develop and maintain skills in functional areas that are critical to the mission of the FDIC. The Certificate Program also enables the FDIC to be more responsive to changes in the financial services industry. Certificate holders are called to assist the division/office of their certified areas in the event of a mission-critical need. As discussed earlier, CU offers certificates in Claims, Franchise and Asset Marketing, Asset Marketing, and BSA/AML. CU expects this credential, an FDIC certificate, to be valued and respected in the financial industry based on the rigorous development program, the certification requirements, and the strong reputation of the FDIC.

Originally, as a requirement for commissioning, FISs were expected to obtain two certificates in an area different from their commissioning track prior to receiving a promotion to a CG-12. However, in June 2008, the FDIC Chairman requested that revisions be made to the CEP to respond to increasing workloads in DSC and DRR. The Chairman's request prompted a program change that FISs only have to obtain one certificate outside of their commissioning track.

Non-FIS FDIC employees may also participate in the Certificate Program to gain proficiency in essential corporate functions through a combination of classroom and/or computer-based instruction (CBI) programs, on-the-job training and experience, and virtual bank simulations. To be awarded a certificate, employees must complete a development program, receive an attestation of their skill readiness by their host supervisor, and perform successfully on a knowledge assessment in the form of a computerized test.

Program Attrition: Overall attrition for the CEP is 15.4 percent, which includes 5 percent of the FISs who left after completing the first-year rotation. Attrition has significantly declined from 29.4 percent in 2005 to 1.4 percent in 2008. CU attributes the decline in attrition to the proactive measures it has taken to address FIS concerns in the areas of recruiting, communicating program requirements, revising the compensation structure, conducting coaches training, and changing the length of the DRR and DSC risk management rotations.

CEP Changes: Based on feedback from FISs, DSC, DRR, and the FDIC Chairman, CU has been responsive and made changes to the CEP program related to:

- the first year rotation schedule,
- recruiting,
- certification requirements,
- the number of classes,
- the addition of class liaisons and coaches, and
- the CEP organizational structure.

Appendix III details these program changes.

One of the most noteworthy changes to the CEP was the implementation of "Super Friday" recruiting events. In 2005, CEP participants who were surveyed indicated that they were not satisfied with the hiring process. Specifically, participants gave low ratings in the areas of timeliness of their selection as CEP FISs and the quality of information they received. In response, CU, through the FDIC Recruitment Task Force, implemented CEP "Super Friday" recruiting events starting in 2006. Under the Super Friday approach, qualified candidates are:

- brought to FDIC headquarters to participate in a wide range of activities to enhance their interest and consideration for FDIC employment as FISs;
- invited to a reception and dinner in the headquarters dining room where FDIC executives and senior DSC examiners make presentations;
- given a tour of FDIC's Board Room and Risk Analysis Center; interviewed; and required to attend a number of corporate orientation sessions, benefits presentations, CEP breakout panels, and various information booths; and
- extended offers for employment at the end of the "Super Friday" recruiting event.

According to DSC, 988 candidates[4] have been invited to "Super Friday" events, of which 694 have attended. The FDIC has also conducted telephone interviews with candidates. The FDIC has offered positions to 394 candidates of which 352 accepted. CU told us that since beginning the "Super Friday" recruiting events, the FDIC's offer declination rate has decreased from 30 percent to 11 percent. CU attributes the decrease in declination rates to the implementation of "Super Friday" events because the Corporation has an opportunity to better communicate that it is an employer of choice by bringing qualified candidates to headquarters so that they can see and learn about the Corporation and meet with officials at all levels. According to CU, further evidence that "Super Friday" events are successful is the fact that even when there has been a lag time between an offer acceptance and the actual start date, only a few candidates have subsequently declined FDIC offers.

CU conducts a pre-orientation survey that also rates such things as the: timeliness of the selection process; quality of information received; and assistance with travel and lodging. CU also conducts a post-orientation survey of candidates that asks for feedback on: lunch with division directors, reception, training materials, and overall orientation. CU reported that since the "Super Friday" recruiting events were implemented, participants reported improved satisfaction with the hiring process.

Gauging Program Effectiveness and Program Costs

CU has prepared periodic reports assessing CEP activities, especially for the first-year rotation, and CU has established CEP Benchmarks that provide guidelines for completing FIS first-year training. The CEP Benchmarks, which must be successfully completed to move to the second year of the program, are included as Appendix IV. CU officials told us that CU has collaborated with the HRC, HRB, and CEP Executive Steering Committee since inception of the CEP to

[4] Regarding the number of candidates invited to Super Friday events, DOA staff explained that the FDIC invites three candidates for every vacancy, consistent with US Office of Personnel Management requirements.

identify metrics and to discuss program accomplishments. The FDIC has also established various performance measures that indirectly relate to the CEP. However, as the program matures, CU could do more in this regard to (1) formally establish performance goals or targets specifically for the CEP and (2) systematically capture and monitor overall CEP program costs, including CEP-related costs incurred by other divisions and offices. Doing so could help CU better assess program success and program cost efficiency.

GAO's *A Guide for Assessing Strategic Training and Development Efforts in the Federal Government* (Report number GAO-04-546G, dated March 2004), emphasizes the importance of an entity being able to evaluate its training programs and improve the entity's performance and identifies the Kirkpatrick[5] five-level assessment approach as a commonly accepted training evaluation model. The sidebar presents the five Kirkpatrick levels of assessment.

GAO and the Kirkpatrick Model suggest that the entity should systematically plan for and evaluate the effectiveness of its training and development efforts and the extent to which these efforts contribute to the accomplishment of entity goals and objectives.

Kirkpatrick Five-Level Assessment

Level I: Reaction – How does the learner feel about the training?
Level II: Learning – What facts or knowledge did the learner gain?
Level III: Behaviors – What skills did the learner develop? What new information is the learner using on the job?
Level IV: Results or Effectiveness – Did the learner apply the new skills to the necessary tasks in the organization? If so, what results were achieved?
Level V: Return On Investment – How does the monetary value of results of the program compare with the related costs?

Efforts to Evaluate the Program: CU has taken a number of positive steps toward evaluating the success of the CEP, including collecting data through surveys and informal meetings with CEP participants during the first-year rotation, at the end of every rotation, and at graduation (end of first year). These methods achieve Levels I, II, and III of the Kirkpatrick Model. CU has also discussed performing an overall assessment of the CEP's effectiveness, including the first and subsequent years of the program, in two documents.

- CU indicated in its *Corporate Employee Program New Hire Program* report, dated July 2007, that CU's longer term evaluation plan includes following CEP participants through the 4 years of the program to "measure the success of the overall program."
- During the course of our review, CU updated its draft CEP directive to expand the provision for program evaluations. Specifically, the directive provides that an evaluation of the CEP will include gauging organizational impact in the areas of communication, knowledge transfer, and increased career opportunities.

[5] Donald L. Kirkpatrick (author of *Evaluating Training Programs: The Four Levels*) conceived a commonly recognized four-level model for evaluating training and development efforts. The fourth level is sometimes divided into two levels with the fifth level representing a comparison of costs and benefits quantified in dollars.

CU has also prepared periodic reports discussing CEP progress and implementation, such as:

- A January 2005 progress report on the vision and objective for the CEP to the HRC that included a CEP vision statement and plans for a common training program, resolutions and receiverships commissioning process, certification programs, and recruiting.
- A July 2007 program evaluation results report to the HRC entitled, *Corporate Employee Program New Hire Program* that identified program accomplishments (from June 2005 CEP inception to June 2007), major program adjustments, and areas for continuing improvement, with a focus on the first year (rotational year) of the 4-year CEP.
- A May 2008 briefing for the FDIC Chairman on the certificate program, CEP participant feedback, and projections for CEP participants becoming commissioned examiners.

During the course of our review, CU was drafting a report for the HRC identifying CEP progress for the period July 2007 through June 2008.

Still, as discussed in the next two sections, CU could enhance its efforts to evaluate program success by establishing CEP-specific performance goals and by improving how it tracks and monitors overall CEP costs.

Performance Goals: The FDIC's strategic plan is implemented through the Corporation's Annual Performance Plan (APP), which includes annual performance goals (APG), indicators, and targets for each strategic objective within the three major program areas – Insurance, Supervision, and Receivership Management. The performance goals use a mix of output and outcome-related targets to measure the FDIC's efforts toward accomplishing its mission and strategic goals.

The FDIC also develops internal Corporate Performance Objectives (CPO) during the annual planning and budget process that are approved by the FDIC Chairman. The CPO document defines performance targets to be accomplished on an annual basis. Many of these objectives cut across organizational lines and provide a mechanism for managing the performance of FDIC organizations from a corporate perspective. We identified the following CEP-related corporate goals and objectives:

- APGs: **–** The Corporation identified CEP-related activities as means and strategies necessary to accomplishing Receivership Management performance goals. The Corporation's Annual Performance Plans for 2006, 2007, and 2008 include statements regarding the FDIC's continued implementation of the CEP to create a flexible permanent workforce capable of responding to changing workload requirements.

- CPOs**:** – The FDIC had CPO milestones in 2005, 2006, and 2007 for the establishment and continued development of the CEP toward accomplishing the objective of encouraging and promoting a motivated, high-performing, and results-oriented workforce. In addition, one of the Resource Management CPO initiatives—*ensure that the FDIC has the necessary skills in its workforce on an ongoing basis to manage risks to the insurance fund by effectively addressing current and emerging safety and soundness and compliance risks*—included the following three actions and milestones related to the CEP:

(1) Bring on-board examiner staffing, including employees in the CEP, up to full authorized levels by year-end 2008.
(2) Enhance the Corporation's ability to attract high-quality candidates for the CEP and other key FDIC occupations by developing and implementing initiatives to raise the profile and stature of the FDIC on campuses and enhancing the effectiveness of the FDIC's recruiting program.
(3) Assess employee retention of knowledge from the first-year CEP cross-disciplinary training curriculum and determine whether changes are needed to that curriculum.

In a 2007 report,[6] GAO recommended that the FDIC take steps to identify meaningful, outcome-based performance measures to include in its training scorecard and communicate available performance results to all FDIC employees. The FDIC responded that, in the case of the CEP, CU had plans to conduct extensive multi-year evaluations intended to provide the FDIC with information about the extent to which the goals of the program are achieved and using outcome-based performance measures such as:

- the effectiveness of the training experience,
- the adequacy of the benchmarks selected,
- how well prepared participants are for their required schools,
- frequency and amounts of awards and promotions, and
- participants' progress toward attaining a commission.

CU took steps in 2006 and 2007 to develop a scorecard approach[7] to establish a broad range of performance measures for the FDIC's training activities, including the CEP. However, CU opted to discontinue the use of its scorecard in 2008.[8]

In light of GAO's recommendation that the Corporation take steps to identify outcome-based performance measures for the CEP and our observations regarding the FDIC's CEP-related performance goals and targets, CU should do more to establish (1) a clear description of program-specific goals regarding what the CEP is expected to achieve and (2) agreed-upon performance measures to determine progress toward achieving the CEP goals. For example, CEP goals, performance measures, and results could be established and communicated to employees (through a scorecard approach or on the CEP internal Web site) for areas such as attrition rates, CEP costs, recruiting accomplishments, certificates earned, commissions earned, continuing education activities, and system development efforts. Potential program goals could be to: maintain an attrition rate no greater than 8 percent, graduate 85 percent of CEP participants from the program, or decrease CEP costs by 2 percent over the next 3 years.

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[6] *FDIC Human Capital and Risk Assessment Programs Appear Sound, but Evaluations of Their Effectiveness Should Be Improved*, GAO-07-255, dated February 2007.
[7] The scorecard concept employs a simple grading system common in many businesses: green for success, yellow for mixed results, and red for unsatisfactory. Scorecards track how well divisions and offices are executing their goals and objectives.
[8] CU responded to GAO that it replaced the scorecard with CEP developments and FIS success stories reported on the CEP Web site.

During the course of our evaluation, we discussed with CU officials the need to establish CEP-specific performance goals and targets. In October 2008, CU drafted a pamphlet, "Corporate Employee Program Update" intended to provide senior management and program stakeholders CEP results and accomplishments. CU plans to issue the update monthly. The October 2008 draft program update graphically depicts data regarding: attrition rates, CEP graduates by discipline, status of school starts,[9] passing scores for accounting fundamentals testing, and CEP Web site statistics. Establishing CEP-specific goals aligned with those areas presented in the Update can help senior management and stakeholders understand what the CEP is trying to accomplish (goals and targets) and how it is progressing in the respective areas (performance and results).

Evaluating Overall CEP Costs: CEP officials told us that program costs for the CEP can be expressed in two ways, namely through (1) CEP's annual operating budget and (2) CU's estimated cost of training for the first year of the program, on an average per-student basis. We noted that the two approaches do not treat certain expenses consistently and may not include costs incurred for all aspects of the CEP. However, CU is taking steps to better track and monitor costs associated with the CEP, which is a good first step towards being able to evaluate the cost-effectiveness of the program.

GAO's guidelines on assessing training efforts cite the importance of an agency obtaining and tracking the cost of its training and development programs. GAO states that because the evaluation of training and development programs can aid decision makers in managing scarce resources, agencies need to develop evaluation processes that systematically track the cost and delivery of training and development efforts and assess the benefits of these efforts.

The FDIC also emphasizes the importance of determining the complete costs of a program. FDIC Circular 4000.2, *Cost Management Program (CMP)*, dated March 16, 2007, states that the CMP was implemented to provide reliable and timely information about the full cost of the FDIC's business processes, activities, and outputs on a regular basis and to assist managers in making decisions about allocating resources, evaluating program performance, and improving efficiency and effectiveness. The Circular further states that this information will, among other things, enable the FDIC to better manage corporate support and overhead costs.

CU officials told us that, in their view, the costs that should be considered when addressing the overall cost of the CEP consist primarily of salaries, benefits, and travel as presented in CU's operating budget for the CEP. CU officials indicated that they considered costs beyond those included in the CEP budget for the FISs' first-year rotation to be the same as costs incurred for career development for other (non-FIS) FDIC employees, which are separately budgeted for by operating divisions. CU's 2008 operating budget for the CEP is $17.6 million and includes amounts for salaries, benefits, and travel for CEP staff and CEP participants in the first year of the program.

[9] Training for the FISs includes Financial Institution Analysis School, Loan Analysis School, Fair Lending School, and Community Reinvestment Act School.

In its *Corporate Employee Program New Hire Program* report, dated July 2007, CU estimated the cost of training in the CEP's one-year rotational program at approximately $44,000 per student. Salary and travel expenses of the students to attend classroom training accounted for 86 percent of the per student cost. CU's report noted that the expenses used to estimate the $44,000 per student cost included both course developmental costs (costs related to creating a course – planning, designing, and constructing) and delivery costs (expenses related to CU staff, instructors, subject matter experts, and hired outside contractors and services) as well as the student's travel and salary for time attending training. CU provided a schedule of the costs used to arrive at the $44,000 per student cost for the CEP. CU's schedule is shown in Appendix V.[10]

We noted that the two approaches—CEP's operating budget versus the per-student cost—are different in how they treat:

- salaries and benefits; e.g., the operating budget includes total FIS salaries while the per-student cost excludes a portion of the FIS salaries attributable to when FISs are participating in risk management and compliance examinations; and
- travel; e.g., the operating budget includes travel for CEP staff and participants while the per-student cost includes travel associated with DRR and DIR classes, as well as for CEP orientation and graduation.

Neither of the two approaches includes non-CU, CEP-related costs such as costs associated with "Super Friday" recruiting events or an allocable portion of DSC CEP coaches' salaries and benefits.

In September 2008, CU established a new program code for the CEP, which should bring uniformity to how CEP program costs are calculated and tracked. According to the Division of Finance's *Cost Management and Time Reporting Coding Guide*, the program code should be used by (1) FISs for their first-year training activities and (2) CU employees, detailees, and regional personnel for activities associated with the administration, oversight, and management of the CEP. As defined, the new program code does not cover tasks associated with: preparation, delivery, and assessment of formal classroom training; CEP course development[11] and enhancements; and CEP recruitment events and "Super Friday" activities. We would suggest that management consider redefining the tasks and activities that should be charged to the program code in order to capture all aspects of the CEP. Nevertheless, the establishment of such a mechanism to capture the information is a positive step. Doing so should enable management to establish a baseline for costs—regardless of how they are defined—that can then be used to better determine how the CEP results compare with the related cost of the program on an ongoing basis.

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[10] We notified CU of an apparent mathematical error in its calculations. It appears that the per student, rotational year cost should be $47,060.

[11] One-time costs, such as costs for course development possibly should be amortized over the expected life of the course.

Participant, Management, and Examiner Views

<u>FIS Views</u>[12]: CU survey results indicate that most FISs are either very satisfied or satisfied with their development during the first year rotation and with their decision to accept positions at the FDIC. CU surveys the FISs at the end of the first-year rotation. CU told us that they received close to 100 percent participation in these surveys. The FISs reported being confident in their ability to assist in DRR Claims and Proforma and Settlement efforts and DSC Compliance and Risk Management examinations. The FISs reported being less prepared to assist DRR Franchise and Asset Marketing efforts. See Appendix VI for details of the survey results.

In October 2007, FDIC employees (including the FISs) participated in a corporate-wide Employee Engagement Survey. The survey identified several key areas of strength in the FDIC workplace environment (job satisfaction, clarity of the corporate mission, physical work environment, etc.) as well as some aspects of the corporate culture that present opportunities for improvement (enhancing open communications, encouraging greater employee empowerment, ensuring fair treatment of all employees, etc.). Sixty FISs in the first-year rotation responded to the survey. The FISs had the most favorable views of all FDIC employee groups in the area of overall satisfaction and mission and strategy.[13]

In 2007, the Chairman's Diversity Advisory Council (CDAC)[14] reported a rising concern among FISs regarding the: amount of training given the FISs, expectations of the CEP program, perception that opportunities for FIS training may be lacking in understaffed offices, and opportunities to implement training in real corporate situations. Through the CDAC, the FISs raised similar issues again in 2008 and added a concern about the retention of concepts learned during training.

CU responded to the CDAC that it continually evaluates the CEP and makes adjustments to the program based on feedback from FISs as well as FDIC management. CU also explained that the CEP is designed to be rigorous with specific required performance benchmarks and that it monitors attrition rates and underlying causes for FIS departures from the FDIC. According to CU, attrition rates continue to be low, and FIS confidence levels after each rotational experience are high. Further, CU enhanced communication by: having the Chief Learning Officer meet with FISs during his field office visits to discuss the program; having the CEP Director visiting regional and field offices during their meetings and conferences; initiating an on-line newsletter, *FIS BIZ*; hosting training for CEP class liaisons; and sponsoring additional regional coaching sessions for examiners. Since the program is in its third year, CU is in the process of conducting an organizational impact study of whether the rotational experiences are helping to improve the performance of the FDIC's examiner workforce compared to the commissioning process used prior to the implementation of the CEP.

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[12] Due to the FISs' heavy workload, we elected not to interview the FISs and instead use other sources to obtain their views on the CEP.
[13] The FISs had less favorable views on the amount of travel. However, we noted that the FIS job announcement clearly states that there could be travel 1-3 weeks per month.
[14] The CDAC's mission is to provide advice to the FDIC Chairman through the Director of the Office of Diversity and Economic Opportunity on diversity-related issues and concerns.

FDIC Management Views: FDIC management we interviewed from the HRC, DSC, and DRR understand and agree with the basic CEP premise of developing cross-trained employees that are capable of responding rapidly to shifting priorities and changes in workload. Management agrees that the first-year rotation is important in developing cross-trained employees and has seen direct benefits of the CEP through FISs' participation in the recent increase in resolutions and receivership activities. DRR has also been very complimentary of the FISs' performance.

DSC considers the CEP a good vehicle for addressing the FDIC's hiring and developmental needs when the banking industry is healthy but acknowledged that DSC and DRR require the same cross-trained employees to address increases in bank examination and resolution activities, which causes a strain on staffing. The FDIC has employed several strategies to address this concern, including: hiring mid-career examiners and retired annuitants, increasing recruiting and holding additional classes for FISs, increasing the frequency of opportunities for FDIC employees to earn certificates, and detailing staff from other divisions and offices to assist where needed.

DSC regional and field office management expressed concerns that the first-year rotation, which is the major difference from the prior commissioning process, prevents DSC from having newly hired staff available to immediately assist on examinations. In June 2008, the Chairman requested that CU make temporary changes to the CEP in order to respond to DSC and DRR's immediate need for staff to assist in the increase in examination and resolution and receivership activities. CU responded to the Chairman's request by:

- Temporarily extending the DRR and DSC risk management rotations to allow FISs to immediately apply what they are learning, in a productive way, in failed bank and pre-failure situations and on risk management examinations. CU plans to evaluate the need to continue the extended rotation beyond 2009 but intends to return to the 12-month, traditional schedule as soon as practicable.
- Adding a January 2009 CEP class to increase the number of employees available to help with immediate workload needs.
- Staggering the order of rotations by having some classes start immediately in either the DSC risk management or DRR rotations.

DSC and DRR officials also expressed to us the need for CU to improve communication of FIS performance problems during the first-year rotation. These officials noted that because the CEP is a corporate program, CU should provide information on FIS performance issues to DSC and DRR. A CU official told us that the CEP class liaison contacts the FIS's supervisor prior to the start of each rotation to verbally discuss any performance or conduct issues. However, CU acknowledged that sometimes the feedback from the FIS's prior rotation supervisor is delivered too late to inform the next rotational supervisor in a timely manner. CU explained that it does not provide written documentation of FIS performance/conduct issues because, as the supervisor of record for all FISs during the first-year rotation, it is CU's responsibility to handle performance/conduct matters pertaining to the FISs. However, CU does share all pertinent information verbally with each rotation supervisor. CU also does not discuss performance or conduct issues that are in the investigation stage. Going forward, CU plans to prepare separate reports of all letters of warning issued to FISs along with the status of actions for each region's administrative regional director.

DSC Commissioned Examiners Views: DSC regional and field office management told us that tenured examiners perceive that they have not been recognized for the valuable work that they have done for years, while FISs, who are term employees, are recognized for completing the first year of the program.

DSC regional and field office management also told us that tenured examiners perceive that the FISs are being given greater opportunities and exposure to other areas of the Corporation and placed in a better position for future advancement than tenured examiners due to their cross-training in DRR. We noted that tenured examiners raised similar concerns through CDAC in 2006. DSC responded to those concerns by citing the cross-divisional training opportunities available to tenured examiners and developmental opportunities outside of an employee's primary occupation. In 2007 and 2008, CDAC reported additional tenured examiner concerns related to the amount of training that FISs received and the fact that examiner compensation at the CG-12 level may be less than what inexperienced FISs were earning in the same location.

CU told us that it is aware of tenured examiners' perceptions and is addressing these concerns by expanding certificate programs to non-FIS employees and conducting DSC CEP coaches' training to increase examiner knowledge about the CEP. The CEP Director also indicated that she has met with CDAC to address non-FIS employee concerns, attended the San Francisco Regional Training Conference to communicate directly with examiners about the CEP, and presented information about the CEP at regional DSC field supervisor meetings.

We did not attempt to evaluate the merit of tenured examiner perceptions, and we are not making recommendations in this area. However, these perceptions could affect examiner morale and CEP program acceptance. Accordingly, we encourage the Corporation to continue to look for opportunities to address these views and perceptions.

Production of Cross-Trained Employees and Knowledge Retention

As illustrated previously, the CEP is producing cross-trained employees. The FDIC has relied on FISs to help respond to increases in resolution-related activity, and DRR officials have been complimentary of FISs' efforts. CU has developed or is in the process of developing continuing education requirements for its certificate programs and is also beginning to evaluate knowledge retention by surveying the FISs.

Cross-Trained Employees: We determined that as of August 2008, FDIC had deployed approximately 83 percent of the FIS Claims Certificate holders to assist with bank closing activities. Table 1 presents the results of our analysis of CU and DSC's data on certificate-holder deployments.

Table 1: OIG Observations on Certificate-Holder Deployments

• 155 of 220 FISs with Claims Certificates have been deployed to DRR to assist in resolution activity (16 who earned certificates in 2007 have not been deployed).
• 29 FISs with Claims Certificates have been deployed more than once to assist DRR with resolution activity.
• 40 of 60 non-FIS employees with Claims Certificates have been deployed to DRR to assist in resolution activity (2 who earned certificates in 2006 and 4 in 2007 have not been deployed).
• 9 non-FIS employees with Claims Certificates have been deployed more than once to assist DRR in resolution activity.
• 5 of 12 BSA/AML Certificate holders have been deployed to assist DSC.
• None of the 65 FISs with Franchise and Asset Marketing Certificates have been deployed to assist DRR (includes 31 who earned certificates in 2007).

Source: OIG analysis of CU and DSC certificate-holder deployment information.

While this level of deployment is commendable, we noted that DSC and CU deployment information differed significantly, with CU's tracking system indicating that approximately 33 percent of the FIS Claims Certificate holders had been deployed while DSC's data indicated that approximately 74 percent had been deployed.

CU officials acknowledged that tracking of certificate-holder deployments could be improved and indicated that CU is working with DSC to devise a new database to replace the existing spreadsheet currently used to manage certificate-holder deployments. Specifically, CU told us that:

- CEP Team Members will be working with DSC to update certificate-deployment information as part of the transitioning to the new database.
- CU will be responsible for entering new certificate holders into the database upon receipt of a certificate.
- CU will work with DSC to enter the deployment information for FISs within the first year of the CEP.
- DSC Administrative personnel will be responsible for updating deployment information for FISs that have graduated from the rotational period of the CEP.
- CU will work with DRR to track deployment of non-DSC certificate holders in the new database.

These actions should help to clarify responsibility for selecting, deploying, and tracking certificate-holder information and ensuring that deployment tracking system information is accurate for decision-making purposes.

Knowledge Retention: CU has made some progress in implementing knowledge retention strategies, but could do more to ensure that FIS and non-FIS certificate holders remain proficient in their certified disciplines by developing and implementing continuing education requirements and by conducting post-deployment evaluations of certificate-holder performance.

In June 2008, CU notified FDIC BSA/AML certificate holders that annual continuing education requirements are being implemented. The certificate holders must participate in two examinations per calendar year and mandatory self-study and review of all issued internal guidance relating to BSA/AML since the candidate's certification date. At our exit conference, CU told us that they plan to require similar continuing education requirements for all certificate holders as part of CU's strategic plan. We saw several examples of CU efforts to establish continuing education requirements:

- In the second quarter *2008 FDIC Performance Report*, CU reported that it is in the process of establishing plans and procedures to evaluate certificate holders' performance after each bank closing deployment. The approach includes discussing knowledge retention and job performance with both supervisors and participants.

- In a recent Expression of Interest related to the pilot DRR Asset Marketing Certificate Program, CU outlined guidelines for maintaining an active certificate such as reviewing newly issued guidance (directive, circulars, closing procedures, etc.) and completing semi-annual asset marketing review exercises, or equivalent training.

- CU also told us that they have used Kirkpatrick Training Model level III-type evaluations to assess FISs who recently participated in two bank closings to assess, among other things, whether learned knowledge was used and sustained and if the employee would be able to train others on the learned knowledge.

These are positive actions, and we encourage CU to expand these, or similar, knowledge retention strategies to all certificate holders and to work with DSC and DRR to ensure that the revised deployment tracking system contains reliable information that can be used to monitor continuing education and knowledge retention efforts.

Program Expansion Beyond Entry-Level Employees: In 2004 and 2005, the FDIC sent two memoranda to FDIC employees indicating that the longer-term plan for the CEP was to (1) expand the program to provide cross-training opportunities and expanded job knowledge and skills to include employees from all divisions and offices and (2) extend the CEP to mid- and senior-level positions. The FDIC has made progress in this area by awarding Claims and BSA/Anti-Money Laundering Certificates to non-FIS employees and deploying non-FISs to assist DRR. In addition, in 2008, the Corporation offered detail opportunities to all FDIC employees to participate in the Claims, Franchise and Asset Marketing, and Asset Marketing Certificate Programs.

Still, more work remains to realize the initial concept of expanding the CEP beyond entry-level employees and the primary business lines. The downturn in the economy and credit crisis have had a detrimental impact on the banking industry and increased the FDIC's supervision and resolution and receivership workload dramatically. These factors have justifiably necessitated changes to the CEP. As discussed earlier in this report, CU has been responsive to stakeholder needs and has made changes in order to provide FISs to DSC and DRR earlier in the CEP development process.

CU officials agree that while the Corporation has largely implemented the entry-level portion of the CEP, more work is needed to expand the program to non-entry-level employees at some point in the future. Given the state of the banking industry, we acknowledge it may not be appropriate to expand the CEP until agency workloads and Corporate demands return to a more manageable level.

OTHER MATTER

Recruitment

The CEP has become the primary means for filling new entry-level positions in DSC and DRR. During our review, DSC regional and field office management raised several concerns about the CEP recruiting process, including:

- The FDIC's national recruiting program does not fill vacancies in rural areas.
- At each "Super Friday" recruiting event, only two or three regions are afforded the opportunity to hire staff.
- FIS class size limitations (35 per class) do not address DSC's staffing needs (only 5 or 6 classes are scheduled per year).
- The lag time between when an offer is made and/or accepted and the actual onboard date is too long. The Corporation has lost candidates as a result.
- DSC examiners may not have been invited to attend recruiting training enabling them to become corporate recruiters with the ability to recruit at local schools within their respective field office locations.

We found that the FDIC has taken steps to enhance the Corporation's recruiting program, including revising the FDIC Careers Web site and updating and distributing new recruiting materials, including a corporate brochure and a CEP brochure, for use at recruitment and outreach events. We also interviewed CU, DOA HRB, and DSC Headquarters officials about the specific concerns discussed above.

Filling Vacancies in Rural Areas: DOA HRB officials acknowledged there are situations where the FDIC may face difficulties in filling positions for certain locations. Accordingly, DOA is working on a targeted advertising strategy for "hard-to-fill" positions. To illustrate, DOA's *2008 Corporate Performance Objectives 1st Quarter Report* (CPO III.2), states that targeted advertising of "hard-to-fill" positions and placing vacancy announcements in prominent publications and print media are being pursued to enhance awareness and profile, and creative recruitment vehicles/forums are being explored.

DOA HRB also noted that two options are readily available to assist management in filling positions in rural areas.

First, management can request HRB to post a vacancy announcement specifically for the hard-to-fill location. HRB can take positive steps to ensure that local college and university placement offices receive the announcement.

Second, management always has the option to fill the vacancy through the SCEP program. HRB is available to assist management by posting a vacancy announcement specifically for the hard-to-fill location and by working with the local manager to locate SCEP candidates to fill the position. HRB will work with the local DSC manager to locate candidates for consideration.

Regional Representation at "Super Friday" Events: We learned that every FDIC region is afforded the opportunity to participate in "Super Friday" events and to select candidates for hire. DSC officials determine what regions and which DSC personnel will participate in "Super Friday" events as well as the number of CEP FIS positions that need to be filled. HRB is available to assist in a supporting role.

FIS Class Sizes: In regard to FIS class size, HRB told us that CU determines the size of the class, but added that the FDIC's recruiting strategy[15] provides flexibility in this regard and may allow for changes to be made to the class size, if needed. As discussed earlier, CU has made changes to the number and sizes of FIS classes in response to stakeholder concerns.

DSC provides information about the specific number of vacancies and locations to HRB approximately two weeks before HRB refers candidates to DSC for consideration. HRB noted that the number of vacancies actually filled is affected by the number and quality of candidates who apply for particular locations. For example, some locations may attract a large number of quality candidates while other locations may only attract a few applicants. Additionally, management needs may change over time as was demonstrated in a recent "Super Friday" event when supervisors were permitted to over hire in locations where the number of quality candidates exceeded the number of vacancies.

Onboarding Lag Time: HRB implemented a process in late 2006 to help alleviate the concern expressed about the lag time between when an offer is made and actual on-boarding. This post-"Super Friday" selection process involves the recruiter serving in a "mentoring" role for the applicants to whom the FDIC has extended offers. As part of that role, recruiters are asked to maintain contact (every 3-4 weeks) with the candidates that were in their "Super Friday" group.

DSC and HRB also agreed in August 2008 to reduce the open period for CEP vacancy announcements in order to reduce onboarding lag time. The announcements currently posted are open for a period of 4 months as opposed to an open period of 1 year for past announcements. Candidates applying under the current announcements can expect FDIC decisions on their applications to be made in a shorter time period than in the past.

[15] The FDIC Recruitment Task Force developed the CEP Recruiting and Application Strategy in 2006. This document includes a discussion of CEP recruiting efforts, key school selection criteria (including targeted schools), professional associations and other organizations, scope of recruiting activities (including a definition of hard-to-fill locations), and acceptance of applications.

HRB noted that merely looking at the time lag between the offer date and the entrance on duty date does not always present the full picture and indicated that other factors should be considered such as the time required for the candidate to complete his/her educational requirements. For example, the candidate can be selected in November but may not complete the educational requirements until the following May. HRB also noted that the FDIC, in many ways, mirrors private sector practices by attempting to “lock in” talent at the earliest possible time although the actual start date may be several months in the future. Finally, candidates may opt to select a starting class several months in the future even though there is an earlier starting class available because of personal reasons.

Opportunity to be Corporate Recruiters: We did not substantiate the concern that examiners may not have been invited to attend recruiting training. We determined that recruiters are identified and selected through the EOI process. The last EOI was issued in January 2008. Recruiters were selected on February 15, 2008 for a 2-year term. Most of the recruiters are examiners.

While the Corporation has taken steps to enhance the recruiting program, the FDIC would benefit from improved coordination and communication of its recruiting activities for the CEP. This would help to ensure that DSC field offices receive communications identifying (a) approved recruitment and application strategies, (b) locations with resource needs, (c) nature and location of targeted advertising of hard-to-fill positions, and (d) opportunities for recruiter assignments and training.

OVERALL CONCLUSIONS AND RECOMMENDATIONS

The FDIC has made progress toward implementing the CEP, particularly with respect to hiring employees and cross training them through certificate and commissioning programs. CU has also drafted guidelines and procedures for the program and provided program results to key stakeholders. Most FISs are pleased with the CEP, and FDIC management generally had positive views regarding the program. Further, CU has been responsive to concerns or requests for changes to the CEP. The FDIC has deployed a number of FISs and certificate holders to assist with an increase in resolution activity, and DRR staff have been complimentary of FIS efforts—an indication of the program’s positive impact to date.

We identified several areas for incremental program improvement as the Corporation continues to refine the CEP related to finalizing policy, establishing performance goals, identifying and measuring CEP costs, tracking deployments, ensuring knowledge retention, and clarifying plans for expanding the program.

Accordingly, we recommend that the Chief Learning Officer:

1) Finalize and issue the Corporate Employee Program directive and ensure it addresses:

    - mission, desired program outcomes, and program scope;
    - performance goals and measures;

- process for tracking program costs; and
- roles and responsibilities of all relevant divisions, offices, and committees.

2) Establish CEP-specific performance goals and/or targets for gauging program success.

3) Finalize the CEP cost management program code and consult with CEP stakeholders in DSC, DRR, and DOA regarding the appropriate program costs and cost allocations associated with implementing and sustaining the CEP to be included in the program code.

4) Work with divisions, primarily DSC and DRR, to implement a CEP/certificate-holder tracking system. The tracking system should have the capability to track deployments and continuing education requirements for FISs and certificate holders in a manner that maximizes knowledge retention.

5) Develop and implement a formal process for providing continuing education requirements for all certificate holders.

6) Consult with the HRC regarding the status of, and continued appropriateness of, initial CEP strategies for expanding the CEP to mid- and senior-level FDIC employees and to non-business line disciplines once the financial services industry crisis moderates.

CORPORATION COMMENTS AND OIG EVALUATION

Corporate University provided a written response, dated December 12, 2008, to a draft of this report. The response is presented in its entirety in Appendix VII. Management concurred with recommendations 1, 2, 4, 5, and 6 and proposed actions to be implemented by November 2009 that were responsive to our recommendations. A summary of management's response to the recommendations is in Appendix VIII. These recommendations are considered resolved, but will remain open until we have determined that agreed to corrective actions have been completed and are responsive.

Management agreed with the intent of recommendation 3 but indicated that existing guidance addressed the recommendation. A discussion of management's response to recommendation 3 follows.

Recommendation 3: Finalize the CEP cost management program code and consult with CEP stakeholders in DSC, DRR, and DOA regarding the appropriate program costs and cost allocations associated with implementing and sustaining the CEP to be included in the program code.

CU concluded that current guidance fulfills the intent of this recommendation. CU stated that additional CEP cost management codes were implemented by DOF and CU prior to the receipt of the draft report, although the specific approach that management adopted varies somewhat from the approach recommended by the OIG. CU indicated that it held a series of working sessions during the first half of 2008 with DOF, DIR, DRR, and DSC and reached a consensus on the establishment of a new program code and additional product codes as the most appropriate method for capturing CEP cost information. Program code 67100 (Corporate Employee Program) and the related product codes were implemented in the NFE system in June 2008, and instructions for use of the new codes were distributed to employees and supervisors in November 2008. DOF provided our office with details of this information in November 2008 and asked that this recommendation be closed as of the final report issuance date.

DOF noted that program code 67100 was not designed to capture all of the cost elements necessary to monitor the overall cost of the CEP. For example, the program code does not capture course development or delivery costs. Such costs are captured in other product codes. DOF suggested that the revised CEP directive contemplated in recommendation 1 would be the appropriate place to specify which program codes, product codes, and/or other cost factors should be considered in assessing overall program costs.

Based on CU's response and additional discussions that we held with DOF subsequent to issuance of our draft report, we concluded that management's actions are sufficient to close this recommendation.

CU's response also included comments from DOA related to our discussion of the FDIC's Recruiting Program on pages 17 through 19. We revised our final report to address those comments, where appropriate.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to assess the FDIC's efforts to implement the CEP by determining: (1) the number of employees participating and the degree to which they have completed the program, (2) whether the CEP has stated measurements for gauging program effectiveness, (3) participant and management views on the benefits and success of the program, and (4) the extent to which the CEP has produced cross-trained employees capable of responding to changes in examination or resolution and receivership priorities.

We conducted our evaluation of the CEP in FDIC divisions and offices located in Washington, DC and Arlington, Virginia. After our evaluation of CEP documentation and discussions with CU and other FDIC officials affiliated with the CEP, we learned that the FISs have a 2-week rotation in the Division of Insurance and Research (DIR). Therefore, we decided not to interview DIR officials and focus on obtaining the views of the HRB, DSC and DRR officials who are more heavily involved in the CEP program. Also, during the fieldwork of this evaluation, we decided not to interview the FISs because of the increasing workloads in DSC and DRR and because FISs had been previously surveyed, and their views regarding the program were known.

Scope and Methodology

To accomplish our objectives, we performed the following:

- Researched and reviewed:
    - Donald Kirkpatrick's Learning and Training Evaluation Theory
    - *The Next Generation of Corporate Universities: Innovation Approaches For Developing People and Expanding Organizational Capabilities*, edited by Mark Allen
- Reviewed the following documents:
    - FDIC's Strategic Plan for 2005-2010
    - FDIC's Corporate Performance Objectives for 2005 through 2008
    - FDIC's Corporate Performance Objective Reports for 2006 through 2008
    - FDIC's Annual Performance Plans for 2006 through 2008
    - FDIC's Annual Reports for 2005 through 2007
    - 2006 through 2008 Operating Budgets
    - 2005 Letter to Stakeholders, 2nd quarter
    - Chairman's Request for comments on the FDIC Strategic Plan Changes – Strategic Objectives
    - FDIC Circular 4000.2, Cost Management Program
    - FDIC Circular 4100.4, Corporate Planning and Budget Processes
    - FDIC Circular 2112.1, Student Educational Employment Program
    - FDIC hiring authority for the CEP
    - FDIC Employee Engagement Survey for 2007 administered by the Hay Group
    - FDIC's Diversity Strategic Plan
    - FDIC's Diversity Annual Reports for 2006-2008

  - FDIC Chairman's Diversity Advisory Council (CDAC) Annual Reports 2005 through 2007
  - Responses to issues from Annual Executive CDAC Meetings from 2006 through 2008
  - FDIC Completed Corrective Action response to GAO Report 07-255 entitled, *FDIC Human Capital and Risk Assessment Programs Appear Sound, but Evaluations of Their Effectiveness Should Be Improved*
  - FDIC Expressions of Interest
  - FDIC Vacancy Announcements for FISs
  - FDIC Organization Charts
  - *FDIC News* Articles
  - FDIC recruitment materials for the CEP
  - FDIC Web sites
  - DRR's Strategic Plan
  - DOA's 2008 Corporate Performance Objectives 1st Quarter Report
  - DOA's Staff Input for 2008 Budget and Planning Process
  - DOA Director's statement before the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia of the Committee on Homeland Security and Governmental Affairs, US Senate, September 27, 2005
  - Office of Enterprise Risk Management Risk Management Status Reports, 2007 and 2008
  - DSC Memorandum System:
    - Classification 2600, In Service Placement Opportunity Program, CEP, February 1, 2005
    - Classification 6630, Student Career Experience Program (SCEP) Procedures, August 26, 2004
    - Classification 2600, Examiner Training and Development Policy, July 2007
- Obtained and reviewed CEP specific documents:
  - CEP Concept Paper, dated December 2004
  - CEP Recruitment & Application Strategy
  - Deputy to the Chairman and Chief Operating Officer's memoranda
    - Workforce Planning for the Future
    - Corporate Employee Program
    - Implementation of the Corporate Employee Program
    - Corporate Employee Program Update-Phase One Implementation
  - CU's Assurance Statements for 2007 and 2008
  - CU's draft directive for the CEP
  - CU's progress report to the HRC entitled, *Progress Report to HRC from the CEP Development Taskforce,* dated January 2005
  - CU's report to the HRC entitled, *Corporate Employee Program – New Hire Program Evaluation & Results,* June 2005 – June 2007
  - CU's Briefing on the CEP to the Chairman April 2008
  - CU's on-line newsletter *FIZ BIZ,* Issues 1 – 4
  - CU's reports on:

        - FIS attrition
        - Projection of commissioned examiners
        - FIS class participant, duty station, discipline and graduation information
        - FIS class and hiring date rotation information
        - FIS and FDIC employee certificate holders and deployments
- Obtained and reviewed prior related OIG evaluation reports:
    - OIG Report No. 05-035 entitled, *The FDIC's Corporate University*
    - OIG Report No. 07-001 entitled, *Evaluation of the FDIC's Succession Planning Efforts*
- Obtained and reviewed prior related GAO reports:
    - GAO-04-546G entitled, *Human Capital: A Guide for Assessing Strategic Training and Development Efforts in the Federal Government;*
    - GAO-05-888 entitled, *DHS Strategic Management of Training Important for Successful Transformation;*
    - GAO-06-086 entitled, *Securities and Exchange Commission: Some Progress Made on Strategic Human Capital Management;* and
    - GAO-07-255 entitled, *FDIC Human Capital and Risk Assessment Programs Appear Sound, but Evaluations of Their Effectiveness Should Be Improved*
- Interviewed officials from GAO involved in government-wide human capital work.
- Interviewed FDIC officials in:
    - CU
    - DOA Human Resources
    - DOF
    - Legal Division
    - DRR
    - DSC headquarters, regional, and field office management
    - HRC members

We performed our evaluation from April 2008 through August 2008, in accordance with the *Quality Standards for Inspections*.

Validity and Reliability of Data from Computer-Based Systems, and Fraud and Illegal Acts

Because our report conclusions were not based on computer-processed data, we did not test the validity or reliability of any data from computer-based systems. CU does not have a formal tracking system for the CEP; instead, CU uses an excel spreadsheet. CU was in the process of developing a formal tracking system expected to be completed by the end of 2008.

The nature of our evaluation objectives did not require that we assess the possibility for fraud and illegal acts. However, no instances of fraud and illegal acts came to our attention during our evaluation.

FIS CLASS INFORMATION

During our field work, CU had processed 15 CEP classes. Table 2 presents class size, graduation, attrition, certificate, and commission information about each class.

Table 2: FIS Class Statistics

Class	# of FIS in Class	# of FISs graduated from 1st year	Attrition	DRR Claims Certificates	DRR Franchise and Asset Marketing Certificates	DSC Commissions
(1) 06/27/05	22	16	11	11	N/A**	4
(2) 09/19/05	16	14	3	9	N/A	-
(3) 10/31/05	26	24	6	6	N/A	-
(4) 12/12/05	14	10	3	4	N/A	-
(5) 02/06/06	26	25	8	6	N/A	-
(6) 06/12/06	30	27	6	2	N/A	-
(7) 07/24/06	35	31	7	29	N/A	-
(8) 10/02/06	28	21	8	21	N/A	-
(9) 02/05/07	35	31	5	7	31	-
(10) 06/11/07	35	33	4	34	0	-
(11) 07/23/07	36	N/A*	2	33	0	-
(12) 09/17/07	34	N/A*	2	0	34	-
(13) 10/29/07	27	N/A*	1	25	0	-
(14) 03/03/08	37	N/A*	1	33	0	-
(15) 06/09/08	33	N/A*	0	0	0	-
Total	**434**	**232**	**67**	**220**	**65**	**4**

Source: CU information.
*Classes are not scheduled to graduate until after July 2008.
**Franchise and Asset Marketing certificates were not available for earlier classes.

CEP CHANGES FROM 2005 TO 2008

The FDIC has made changes to the CEP, as needed, based on feedback from the Chairman and program stakeholders. Table 3 provides information about program changes.

Table 3: CEP Program Changes Since Program Inception

Initial CEP Program, June 2005	Changes to the CEP Program as a result of feedback from FISs and supervisors in 2006/2007	Changes to the CEP Program as requested by the FDIC Chairman in June 2008
First Year Rotation • 52 weeks.	**First Year Rotation** • 52 weeks; however, CU changed the length of the rotations in DRR and DSC.	**First Year Rotation** • Now 82 weeks.
Rotation Schedule • Orientation - 1 week. • Compliance - 13 weeks. • Resolutions and Receivership - 13 weeks. • Risk Management - 6 weeks. • Insurance - 2 weeks. • Risk Management - 14 weeks. • Other - 3 weeks to allow for flexibility, i.e., holidays and vacation.	**Rotation Schedule** • Orientation - 1 week. • Compliance - 13 weeks. • Resolutions and Receivership - 10 weeks. • Risk Management - 6 weeks. • Insurance - 2 weeks. • Risk Management - 17 weeks. • Other - 3 weeks to allow for flexibility, i.e., holidays and vacation.	**Rotation Schedule** • Orientation- 1 week. • Resolutions and Receivership - 21 weeks. • Risk Management - 41 weeks (includes introduction to Examination School). • Compliance - 13 weeks. • Insurance - 2 weeks. • Other - 4 weeks to allow for flexibility, i.e., holidays and vacation.
Promotion potential • CG-12 grade.	**Promotion potential** • No change.	**Promotion potential** • No change.
Program Requirements • FISs have to obtain one certificate in an area different from their commissioning track. • As a requirement for promotion to the grade 12, FISs have to earn a second certificate in an area different from their commissioning track.	**Program Requirements** • No change.	**Program Requirements** • Eliminated the requirement that FISs have to earn a second certificate in order to be eligible for commission. • For classes 1-6 changed the requirement that FISs have to earn a certificate in order to be eligible for a promotion to a grade CG-11 – deferred to grade CG-12. • For classes 7 and beyond, FISs have to earn one certificate in order to be eligible for promotion to a CG-11.
Recruitment Strategy • Corporate Recruiters visit some of the targeted schools and organizations throughout the year. • Candidates apply for positions. • 5 to 6 events held per year. • Offers made.	**Recruitment Strategy** • CEP “Super Friday” recruiting events were added.	**Recruitment Strategy** No change.

Initial CEP Program, June 2005	Changes to the CEP Program as a result of feedback from FISs and supervisors in 2006/2007	Changes to the CEP Program as requested by the FDIC Chairman in June 2008
FIS Classes • 4 classes per year. • Class size is 30.	**FIS Classes** • 4 to 5 classes per year.	**FIS Classes** • Added three summer classes. • A class will be added in January 2009. • Have the flexibility to add a September class if needed.
Supervisor/Coaches Training • Supervisor orientation sessions conducted to communicate program requirements.	**Supervisor/Coaches Training** • Coaches' training was developed and sessions conducted.	**Supervisor/Coaches Training** • No change.
Communication • Published *FDIC News* articles to increase awareness of the program.	**Communication** • The CLO meets with FISs during field office visits. • CEP Program Director attends regional and field office meetings and conferences. • Started *FIS BIZ* – on-line newsletter for FISs and stakeholders.	**Communication** • No change.
CEP Organizational Structure • CEP Director. • Program Specialist. • Administrative Specialist.	**CEP Organizational Structure** • CU gained approval for a new organizational structure of the CEP to enhance the program to include: -Assistant CEP Director, Performance Management. -Assistant CEP Director, Program Administration. -4 new Program Specialists. • A CU liaison was appointed for each class. CU conducts periodic training. These are detail positions.	**CEP Organizational Structure** • Added to term positions: -CEP Liaison Team Lead. -Program Assistant.

Source: OIG summary of documentation provided by CU.

CEP FIS BENCHMARKS

CU has identified CEP Benchmarks that provide guidelines for completing the first-year FIS training. The CEP Benchmarks, which must be successfully completed to move to the second year of the program, include:

- **Bank Operations Training** – participate in formal training and self-study programs and attain a score of at least 75 percent on the end-of-course test.
- **Division of Supervision and Consumer Protection-Compliance** – participate in formal training, self-study programs, and on-the-job training in compliance examinations, including the preparation of bank information and document requests, meeting with bank management, conducting interviews with bank personnel, and performing compliance reviews for technical compliance with federal laws and regulations related to lending and other areas.
- **Accounting Fundamentals** – participate in self-study of Accounting Fundamentals and receive a passing score of 75 percent on the Accounting Fundamentals Assessment.
- **Division of Resolutions and Receiverships** – demonstrate a general understanding of FDIC Deposit Insurance Rules and Regulations, processes associated with uninsured and general creditor claims, complete the Claims Web-based training course and pass a written assessment, participate in Franchise Marketing and Asset Marketing activities, complete the Receivership Accounting and Proforma training, and demonstrate a comprehensive understanding of Settlements.
- **DSC Risk Management** – participate in formal training, self-study programs, and on-the-job training in risk management examinations, including evaluating the asset quality of the bank, reviewing pre-exam information, assisting in risk analysis, interacting with bank personnel, and participating in a self-study of Introduction to Bank Accounting (Cash and Investments Assessment, Loans Assessment, Subsidiaries Audit and Other Assessment, and Capital and Income Assessments) with a passing score of 75 percent on each of the sections.
- **Division of Insurance and Research** – acquire knowledge of the types of data and methods of collecting data in DIR and the Risk Analysis Center, demonstrate skill in using risk analysis tools for banking and economic analysis, demonstrate knowledge of emerging risks in banking, and acquire knowledge of the Risk Related Premium System and the Center for Financial Research.

CEP ROTATIONAL YEAR PROGRAM COSTS

In its *Corporate Employee Program New Hire Program* report, dated July 2007, CU estimated CEP training costs for the first rotational year of the program to be $44,000 per student. Table 4 presents a breakout of those costs.

Table 4: Yearly Program Costs

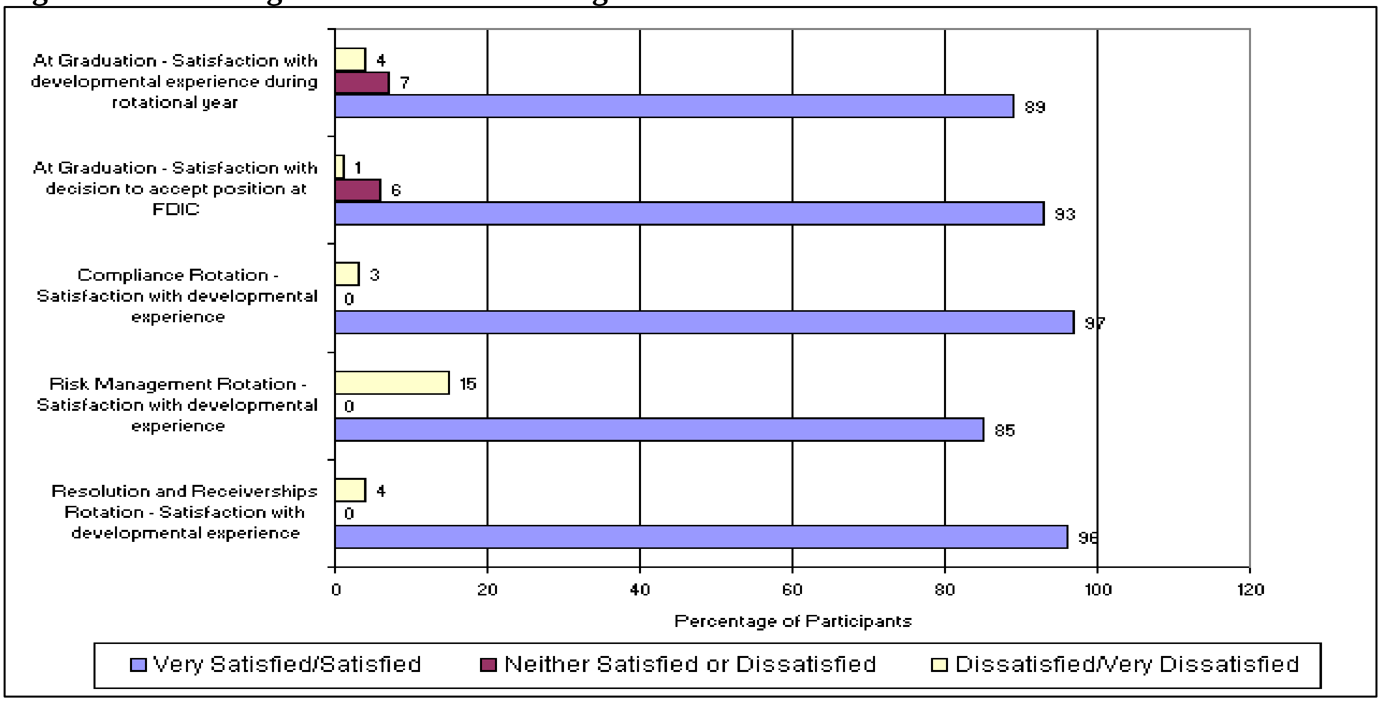
COST ELEMENT	2006	2007	2008	2009	2010	TOTALS
DRR Course*	$3,160,000	$2,993,000	$2,571,000	$2,571,000	$2,571,000	
FIS Time	$1,882,000	$1,986,000	$1,866,000	$186,600**	$1,866,000	
Total **DRR**	$5,042,000	$4,979,000	$4,437,000	$2,757,600	$4,437,000	**$21,652,600**
# FISs	123	121	120	120	120	**604**
Per FIS Cost						**$35,849**
DIR Course***	$312,000	$219,000	$293,000	$293,000	$293,000	
FIS Time	$275,000	$210,000	$287,000	$287,000	$287,000	
Total **DIR**	$587,000	$429,000	$580,000	$580,000	$580,000	**$2,756,000**
#FISs	115	88	120	120	120	**563**
Per FIS Cost						**$4,895**
Orientation	$149,000	$134,000	$134,000	$134,000	$134,000	
FIS Time	$141,000	$144,000	$144,000	$144,000	$144,000	
Total	$290,000	$278,000	$278,000	$278,000	$278,000	**$1,402,000**
#FISs	118	120	120	120	120	**598**
Per FIS Cost						**$2,344**
Graduation-Travel	$56,000	$117,000	$107,000	$107,000	$107,000	
FIS Time	$19.000	$39,000	$36,000	$36,000	$36,000	
Total	$75,000	$156,000	$143,000	$143,000	$143,000	**$660,000**
#FISs	63	131	120	120	120	**554**
Per FIS Cost						**$1,191**
TOTALS						**$44,280**

Source: Corporate University.
*Includes expenses for instructors, travel, subject matter experts, information system development, and contractors.
**As provided by CU. This number probably should be $1,866,000. We notified CU of this apparent mathematical error in its calculations. Using $1,866,000 would increase the per student, rotational year cost to $47,060.
***Includes expenses for instructors, travel, and information system development.

CU SURVEY RESULTS OF THE FISs

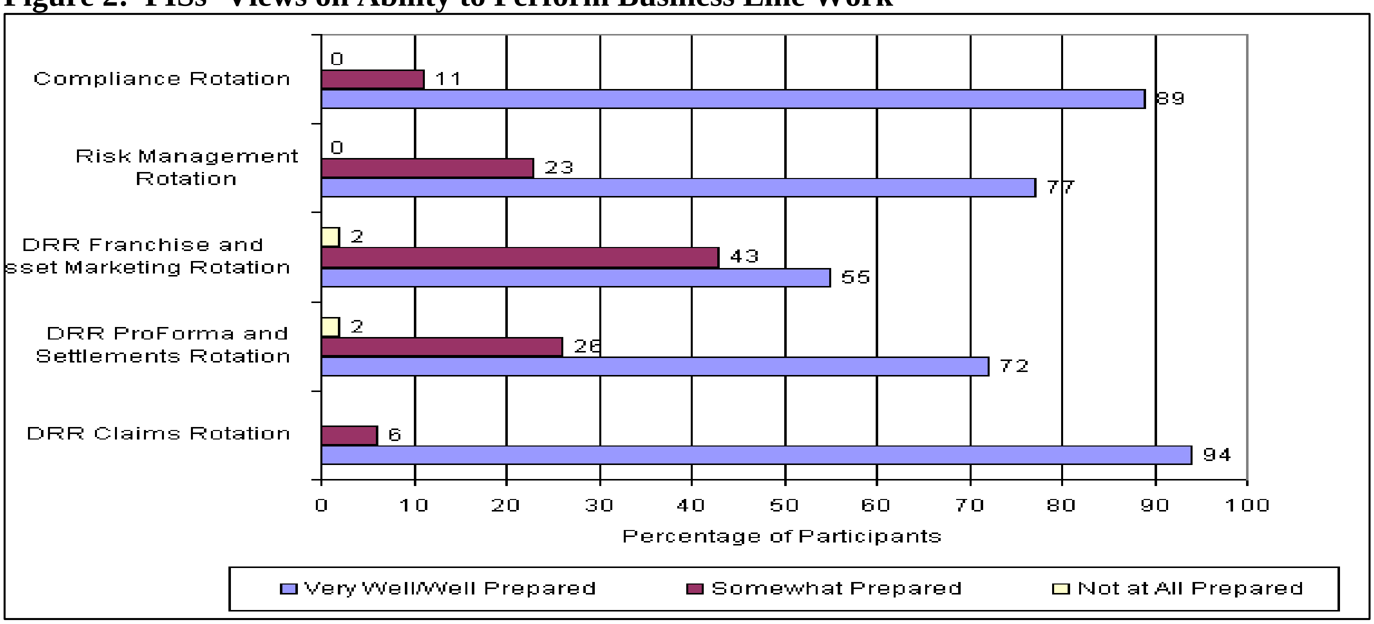
The following figures present the results of CU surveys of FISs at the end of the first rotational year of the CEP.

Figure 1: CEP Program Satisfaction Ratings



Source: CU FIS Survey Results.

Figure 2: FISs' Views on Ability to Perform Business Line Work



Source: CU FIS Survey Results.

CORPORATION COMMENTS

FDIC

Federal Deposit Insurance Corporation
3501 Fairfax Drive, Arlington, VA 22226-3500

Corporate University

DATE: December 12, 2008

TO: Stephen M. Beard
Assistant Inspector General for
Evaluations and Management

FROM: Thom H. Terwilliger, Ed.D
Chief Learning Officer
Corporate University

SUBJECT: Response to Draft Evaluation Report Entitled "Evaluation of the FDIC's Corporate Employee Program" (Evaluation No. 2009-023)

Thank you for a thorough and insightful report on the evaluation of the Corporate Employee Program (CEP). We agree that the FDIC has made progress in implementing the CEP. We made program changes based upon stakeholder feedback, such as improving communication and relationships; altering the length and placement of the first-year rotations; assigning a Corporate University liaison to each FIS class; providing training to DSC coaches who work with FISs; enhancing the recruitment process to include "Super Friday" events; and, most recently, instilling greater program flexibility in response to heightened workload in the business lines.

We are strongly committed to our role in ensuring the success of the program. We will continue to devote appropriate resources and efforts to ensure we provide the opportunities for employees at all levels, through various training opportunities and cross-divisional work assignments. These actions will allow us to continue to create a workforce that possesses a common corporate perspective and is capable of responding rapidly to shifting priorities and change in workload.

OIG Recommendations:

1. **Finalize and issue the Corporate Employee Program directive and ensure it addresses:**
    - **Mission, desired program outcomes, and program scope**
    - **Performance goals and measures;**
    - **Process for tracking program costs; and**
    - **Roles and responsibilities of all relevant divisions, offices, and committees.**

Corporate University Response:

Corporate University concurs with this recommendation. The Corporate Employee Program Directive will be finalized by the end of the first quarter 2009. The Directive will address mission, desired program outcomes and program scope; performance goals and measures; a process for tracking program costs; and roles and responsibilities of all relevant divisions, offices, and committees.

2. **Establish CEP-specific performance goals and/or targets for gauging program success.**

   Corporate University Response:

   Corporate University concurs with this recommendation. We will collaborate across the organization and establish CEP-specific annual performance goals and/or targets for gauging program success and continuous improvement. This process will be completed by first quarter 2009.

3. **Finalize the CEP cost management program code and consult with CEP stakeholders in DSC, DRR, and DOA regarding the appropriate program costs and cost allocations associated with implementing and sustaining the CEP to be included in the program code.**

   Corporate University Response:

   CU agrees with the intent of this recommendation. We have evaluated the recommendation and we have concluded that current guidance fulfills this recommendation. Additional CEP cost management codes were implemented by DOF and CU prior to the receipt of the draft report, although the specific approach adopted varies somewhat from the approach recommended by the OIG. CU, DOF, DIR, DRR, and DSC held a series of working sessions during the first half of 2008 and reached a consensus on the establishment of a new program code and additional product codes as the most appropriate method for capturing CEP cost information. Program code 67100 (Corporate Employee Program) and the related product codes were implemented in the NFE system in June 2008, and instructions for use of the new codes were distributed to employees and supervisors in November 2008. We provided the details of this information to the OIG and we ask that this recommendation be closed as of report issuance date. Therefore, no further action is needed.

   We began use of codes on July 2008 and provided instructions to DSC coaches on November 2nd which would have fully implement the new codes.

4. **Work with divisions, primarily DSC and DRR, to implement a CEP/certificate-holder tracking system. The tracking system should have the capability to track deployments and continuing education requirements for FISs and certificate holders in a manner that maximizes knowledge retention.**

   Corporate University Response:

   Corporate University concurs with this recommendation. CEP, DSC and DRR are working to create a data base concerning employees earning Certifications, deployment of Certificate holders, and completion of continuing education requirements. The tracking of the start and end dates for deployment will be the responsibility of the office receiving the certificate holders. As an interim measure all new certificate holders are recorded in an excel spreadsheet. Deployments are not currently maintained in a centralized location. We expect to have the data base completed in the third quarter of 2009.

5. **Develop and implement a formal process for providing continuing education requirements for all certificate holders.**

Corporate University Response:

Corporate University concurs with this recommendation. We realigned the certificate program under our newly appointed Associate Chief Learning Officer, Dallas Learning Center. One of his areas of responsibility includes ensuring all certificates have appropriate recurring training. We provide notice to certificate holders of this recurring training requirement as they graduate from the program. In the 2008 budget, we sought positions to ensure this requirement is met and those staff were hired in the fourth quarter of 2008. We expect to establish all recurring training requirements for certificates in November of 2009.

6. **Consult with the HRC regarding the status of, and continued appropriateness of, initial CEP strategies for expanding the CEP to mid- and senior-level FDIC employees and to non-business line disciplines once the financial services industry crisis moderates.**

Corporate University Response:

Corporate University concurs with this recommendation. We have and will continue to include in periodic reports to the FDIC's Human Resource Committee (HRC) information concerning participation in CEP programs including Certification Programs by mid- and senior level FDIC employees and by non-business line divisions. Additionally we continue to consult with the HRC regarding the status of and continued appropriateness of initial CEP strategies for expanding the CEP to those groups of employees. We will include this information and related consultation in our next report to the HRC currently scheduled December 12, 2008.

Additionally, we offer the following comments related to program attrition. The report indicates a 29.4% attrition rate for classes that started in 2005 (classes one through four). It is important to note that this attrition covers a three-year period from 2005 to 2008. When analyzing and reporting attrition statistics, CEP has generally reported attrition on an annualized basis. The overall annualized attrition rate since program inception (including classes one through 15 as of the time of this report) has been 15.4%. It is also important to note that much of the attrition associated with the program is directly related to performance management decisions taken by CEP management.

The following comments are included from the Division of Administration, Human Resources Branch. Page 17 of the draft report lists five recruiting concerns raised by DSC regional and field office management. Included in the report after each concern is a summary of what OIG staff learned by interviewing CU, DOA/HRB and DSC Headquarters officials.

The concerns are underlined below and the HRB group's response follows each concern.

The FDIC's national recruiting program does not fill vacancies in rural areas:

Two options are readily available to assist management in filling positions in rural areas.

First, management can request HR to post a vacancy announcement specifically for the hard-to-fill location. HR can take positive steps to ensure that local college and university placement offices receive the announcement.

Second, management always has the option to fill the vacancy through the SCEP program. HR is available to assist management by posting a vacancy announcement specifically for the hard-to-fill location and by working with the local manager to locate SCEP candidates to fill the position. HR will work with the local DSC manager to locate candidates to consider.

Regional representation at Super Friday events:

We believe the language in the report could be misleading. The text seems to indicate that HRB has a significant role in determining the DSC regions represented at Super Friday and the number of FIS positions to be filled. However, this is not the case. DSC management determines the regions to be represented as well as the number of positions to be filled. HR serves online a partnering role.

The HR Corporate Program Manager does identify and encourage DSC staff to serve as recruiters. These recruiters conduct site visits, identify potential candidates, stay in touch with the candidates, and answer their questions. The report language may be attempting to recognize HR's role in this regard. However, as written, the text could be misleading and we recommend a revision of the language.

FIS class size:

FIS class size is affected by several factors. DSC, DRR and CU stakeholders determine class size based on the projected need and resources available.

DSC provides the best location opportunities (e.g., the specific number of vacancies and locations) to HRB approximately two weeks before HRB refers candidates to DSC for consideration. However, the number of vacancies actually filled is affected by the number and quality of candidates who apply for particular locations. Some locations may attract a large number of quality candidates while other locations may only attract a few applicants. Additionally, management needs change over time as was demonstrated in the most recent Super Friday event when supervisors were permitted to overhire in locations where the number of quality candidates exceeded the number of vacancies.

The draft report indicates that HRB and DSC should be cognizant of locations with a shortage of candidates. Our response is that HR is available to assist management by posting a vacancy announcement specifically for the hard-to-fill location and by working with the local manager to locate SCEP candidates to fill the position (See our response to rural vacancies above).

<u>Onboarding lag time</u>:

To reduce onboarding lag time, DSC and HRB agreed in August 2008 to reduce the open period for CEP vacancy announcements. The announcements currently posted are open for a period of four months as opposed to an open period of a year for announcements in the past. Candidates applying under the current announcements can expect FDIC decisions on their applications to be made in a shorter time than in the recent past. We also point out that our "recruiters" as corporate representatives are encouraged to maintain contact with candidates throughout the process.

Another factor to be considered in assessing lag time is the time required for the candidate to complete his/her educational requirements. For example, the candidate can be selected in November and will not complete the educational requirements until the following May.

Merely looking at the offer date and the EOD date does not always present the full picture. FDIC, in many ways, mirrors private sector practices by attempting to "lock in" talent at the earliest possible time although the actual start date may be several months in the future. Additionally, for a variety of personal reasons, candidates may opt to select a starting class several months in the future even though there is an earlier starting class available.

<u>Opportunity to be corporate recruiters</u>:

No comment.

MANAGEMENT RESPONSE TO RECOMMENDATIONS

This table presents the management response on the recommendations in our report and the status of the recommendations as of the date of report issuance.

Rec. Number	Corrective Action: Taken or Planned/Status	Expected Completion Date	Monetary Benefits	Resolved:[a] Yes or No	Open or Closed[b]
1	CU will finalize the Corporate Employee Program Directive to address the items listed in the recommendation.	March 31, 2009	$0	Yes	Open
2	CU will collaborate across the organization and establish CEP-specific annual performance goals and/or targets for gauging program success and continuous improvement.	March 31, 2009	$0	Yes	Open
3	CU concluded that current guidance addresses this recommendation. Specifically, CU cited the implementation of program code 67100 (Corporate Employee Program) and related product codes in June 2008 and the distribution of instructions for program and program code use in November 2008.	November 2, 2008	$0	Yes	Closed
4	CEP, DSC, and DRR are working to create a data base for tracking certifications, deployment of certificate-holders, and the completion of continuing education requirements.	September 30, 2009	$0	Yes	Open

Rec. Number	Corrective Action: Taken or Planned/Status	Expected Completion Date	Monetary Benefits	Resolved:[a] Yes or No	Open or Closed[b]
5	CU assigned responsibility for the certificate program to the Dallas Associate Chief Learning Officer and hired staff in the fourth quarter of 2008 to ensure continuing education requirements are met. CU notifies certificate holders of recurring training requirements as they graduate from the program. CU expects to establish recurring training requirements for certificates in November 2009.	November 30, 2009	$0	Yes	Open
6	CU has and will continue to report information concerning participation in CEP programs including certification programs by mid- and senior-level FDIC employees and by non-business line divisions. Additionally, CU continues to consult with the HRC regarding the status of and continued appropriateness of initial CEP strategies for expanding the CEP to those groups of employees. CU will include this information in its next report to the HRC.	December 12, 2008	$0	Yes	Open

[a] Resolved – (1) Management concurs with the recommendation, and the planned corrective action is consistent with the recommendation.
(2) Management does not concur with the recommendation, but planned alternative action is acceptable to the OIG.
(3) Management agrees to the OIG monetary benefits, or a different amount, or no ($0) amount. Monetary benefits are considered resolved as long as management provides an amount.

[b] Once the OIG determines that the agreed-upon corrective actions have been completed and are responsive, the recommendation can be closed.