NCUA
Annual
Performance Budget 2005

**JoAnn Johnson
Chairman**

Message from the NCUA Chairman

I am pleased to present the National Credit Union Administration's Annual Performance Budget 2005. You will notice that it is called a performance budget and not a plan. It was developed to serve as an element of budget development and reflects a greater correlation between our strategic and annual performance goals and resource allocation. This enhanced correlation is in support of the President Management Agenda Initiative #5 – Budget and Performance Integration.

The year 2004 has been a very productive year. NCUA Annual Performance Plan 2004 served to guide the agency's efforts to achieve its performance goals and objectives in its regulatory and supervisory roles during the past year. The credit union industry's performance validated these efforts with assets increasing $30.6 billion or 5.02%, net worth increasing $4.3 billion or 6.52%, shares increasing $22.8 billion or 4.31%, loans increasing $30.2 billion or 8.02% and delinquent loans as a percentage of total loans decreasing from 0.76% to 0.71% for a very productive year. As a result, NCUA's priorities continue to stress providing proper training and tools for examiners, an optimal regulatory environment that balances innovation with safety and soundness, enhanced organizational

effectiveness and efficiency, promoting access of financial services to all eligible residents and maintaining a responsible budget process.

NCUA Annual Performance Budget 2005, in our effort to further integrate budget and performance, builds on the lessons learned during 2003 and performance in 2004. It lays out the groundwork for NCUA program and program support operations for 2005 as originally envisioned in NCUA Strategic Plan 2003-2008. It has been updated based on the evolution of the dynamic and successful credit union industry, on-going legislative changes and our national economy.

As we prepare for the future, NCUA must continue to carefully balance the primary mission requirement of ensuring safety and soundness of federally insured credit unions with the need to provide greater empowerment opportunities for well-managed financially strong credit unions. Effective regulation, not excessive regulation, is our guiding principle. The principle of optimizing a balance between safety and soundness and market competitiveness is a core philosophy evident throughout NCUA's Annual Performance Budget 2005. Accordingly, mission accomplishment will continue to place reliance on our regulatory and supervision roles.   At the same time, we will work to better align opportunities for individual credit unions, based on their financial health and ability, to prudently take on new and/or additional risk. We will continue to emphasize sound stewardship of the credit union funds with which we are entrusted by striving to enhance agency operational efficiency and effectiveness.

Finally, I will continue to stress the improvement of financial access for all credit union eligible residents, including financial education as a means of enhancing credit union growth and development. In doing so, we will proactively engage the credit union industry through such initiatives as *Access Across America* and the *Partnering and Leadership Successes* in an effort to better position federally insured credit unions to provide the financial services necessary for them to compete in today's extremely competitive environment.

The future holds uncertainty as well as many valued opportunities for credit unions. Some of the uncertainty stems from the changing economic environment and some from the changing dynamics of competition in the financial marketplace. I know that credit unions are well capitalized and positioned

to handle change and meet the challenges ahead. It is our responsibility to ensure the challenges are addressed safely and soundly for the benefit of all current and future members of the cooperative credit union community. NCUA Annual Performance Budget 2005 facilitates our path toward that end.
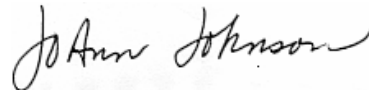
JoAnn Johnson
Chairman

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NCUA Mission, Vision and Values

NCUA

NCUA is the independent federal agency that charters and supervises federal credit unions, and, through management of the National Credit Union Share Insurance Fund (NCUSIF), insures the majority of member funds held in the nation's credit unions. NCUA also works in cooperation with the state supervisory authorities to maintain the safety and soundness of state chartered credit unions insured by the NCUSIF. NCUA's regulatory responsibilities are entirely funded by federally insured credit unions; it receives no federal tax dollars in the execution of its chartering, supervision and enforcement mission.

Vision

NCUA must ensure the cooperative credit union movement can safely provide financial services to all segments of American society, enabling credit unions and their members to thrive in the 21st century.

Mission

NCUA's charge is to foster the safety and soundness of federally insured credit unions and to better enable the credit union community to extend the availability of financial services for provident and productive purposes to all who seek such service, while recognizing and encouraging credit unions' historical emphasis on extension of financial services to those of modest means.

NCUA's mission is accomplished by managing the NCUSIF in an efficient and prudent manner through an effective supervision program and a regulatory environment that encourages innovation, flexibility and continued focus on attracting new members and improving financial service to existing members.

Values

Integrity – This is the fundamental value in everything NCUA does as an agency.

Forward-Looking – NCUA continuously addresses emerging financial issues that may affect credit unions and acts upon these issues sufficiently in advance to provide timely and cost effective solutions.

Responsiveness – NCUA strives to provide effective policies and procedures that are designed to address safety and soundness, as well as concerns of credit unions in an ever-changing financial marketplace.

Teamwork – Teamwork inspires, motivates, and guides NCUA toward its goals. It was from a group identity – commitment, team spirit and a willingness to work together for the betterment of all members -- which credit unions were created, and it is that identity which sustains NCUA today.

Strategic and Outcome Goals

Strategic Goal 1:

A system of financially sound, well-managed, federally insured credit unions able to withstand economic volatility.

Outcome Goals:

1.1.   NCUA promotes effective risk management practices.

1.2.   NCUA timely resolves safety and soundness issues.

1.3.   NCUA's supervision efforts influence credit unions to effectively plan to meet current and future financial and managerial challenges.

1.4.   NCUA diligently manages the National Credit Union Share Insurance Fund (NCUSIF).

Strategic Goal 2:

The safe integration of credit union financial services and emerging technology.

Outcome Goals:

2.1.   NCUA's supervision process is designed to identify, measure, monitor, report, and control the risks that existing and emerging financial service technologies pose to credit unions and the NCUSIF.

2.2.   NCUA provides information and resources to help ensure credit unions safely integrate, operate, and effectively manage existing and emerging financial service technologies.

Strategic Goal 3:

A regulatory environment that facilitates credit union innovation to meet member financial service expectations while maintaining safety and soundness.

Outcome Goals:

3.1.   NCUA regulations are current, clearly written, flexible, necessary and relevant for an effective regulatory environment.

3.2.   NCUA's supervision process supports credit union financial services that are innovative and competitive in a changing economic environment.

3.3.   NCUA contributes to a regulatory environment that promotes credit union innovation.

> **Strategic Goal 4:**
>
> **Credit unions leverage their unique place in the American financial system to extend availability of service to all who seek such service, while encouraging and recognizing their historical emphasis on servicing those of modest means.**

Outcome Goals:

4.1.   NCUA promotes increased credit union membership and accessibility with service to the underserved and enhanced financial service offerings.

4.2.   NCUA appropriately shapes the regulatory environment to allow credit unions to meet the changing economical and sociological financial needs of credit union members.

4.3.   NCUA identifies and shares innovative initiatives to further credit union service while ensuring the safe and sound condition of the credit union system.

> **Strategic Goal 5:**
>
> **NCUA's organization is appropriately structured to enable credit unions to continue to flourish while addressing the challenges of the 21st century.**

Outcome Goals:

5.1.   NCUA has the ability to identify emerging management and human capital issues and trends and implement timely and effective solutions in a cost effective manner.

5.2.   NCUA strategic goals are supported by an integrated, reliable and secure Information Technology architecture.

5.3.   NCUA's organizational structure supports a safe and sound credit union system while facilitating growth and development in a changing environment.

5.4.   NCUA has the people, tools, and structure in place to minimize the impact of any potential crisis situation.

Resource Utilization Projection

The following chart shows how NCUA resources have been applied to accomplish its five strategic goals since 2000. The 2005 projected FTE and budget dollars are estimates only. The final 2005 budget was approved by the NCUA Board in November 2004.

Goal		2000	2001	2002	2003	Est. 2004[1]	Est. 2005[2]
1	Budget	729.20	706.22	628.66	634.71	602.95	580.43
FTE	Actual	697.36	692.85	604.76	580.05	N/A	N/A
1	Budget	$93,276,711	$96,086,414	$92,790,450	$95,485,302	$93,842,706	$89,067,182
Dollars	Actual	$89,008,270	$92,422,097	$84,528,781	$84,072,892	N/A	
2	Budget	39.00	31.81	36.48	31.86	34.15	43.35
FTE	Actual	35.32	30.98	34.81	32.23	N/A	N/A
2	Budget	$5,738,137	$4,928,441	$5,460,094	$4,792,946	$5,315,415	$6,651,898
Dollars	Actual	$5,053,257	$4,707,265	$4,874,055	$4,671,581	N/A	N/A
3	Budget	32.69	33.95	72.18	70.65	68.12	68.67
FTE	Actual	34.04	33.69	79.55	69.80	N/A	N/A
3	Budget	$4,181,701	$4,618,820	$10,653,276	$10,628,670	$10,602,367	$10,536,804
Dollars	Actual	$4,344,719	$4,493,986	$11,119,362	$10,116,821	N/A	
4	Budget	115.84	123.67	151.58	126.20	155.52	166.79
FTE	Actual	118.16	122.47	145.68	146.14	N/A	N/A
4	Budget	$14,818,098	$16,826,083	$22,372,974	$18,984,865	$24,205,613	$25,593,676
Dollars	Actual	$15,081,098	$16,337,272	$20,362,714	$21,182,096	N/A	N/A
5	Budget	132.34	133.10	106.30	107.60	102.55	101.74
FTE	Actual	110.25	110.17	93.50	98.43	N/A	N/A
5	Budget	$16,927,899	$18,108,822	$15,690,667	$16,187,929	$15,961,491	$15,612,802
Dollars	Actual	$14,071,940	$14,695,977	$13,069,330	$14,267,161	N/A	N/A
Total	Budget	1049.07	1028.75	995.20	971.02	963.30	960.97
FTE	Actual	995.13	990.16	958.30	926.66	N/A	N/A
Total	Budget	$134,942,546	$140,568,580	$146,967,461	$146,079,712	$149,927,592	$147,462,361
Dollars	Actual	$127,559,283	$132,656,597	$133,954,242	$134,310,552	N/A	N/A
% Total Actual Dollar Change		11.53%	4.00%	0.98%	0.27%	N/A	N/A

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[1] The 2004 budget was approved by NCUA Board on November 20, 2003.
[2] The 2005 FTE and Dollars are for planning purposes only. The 2005 budget was approved by the NCUA Board on November 18, 2004.

Annual Performance Goals, Means and Strategies

Strategic Goal 1:

A system of financially sound, well-managed, federally insured credit unions able to withstand economic volatility

Outcome Goal 1.1:

NCUA promotes effective risk management practices.

1.1(a): NCUA Rules and Regulations promote the use of effective risk management practices.

Measure	Target				
(1) The review and update of NCUA Rules and Regulations as appropriate	Complete one-third annually				
Historical Performance					
	00	01	02	03	Est. 04	Est. 05
(1) Complete by	New goal for 2003.			12/03	12/04	12/05

1.1(b): NCUA's risk-focused supervision process provides credit unions with useful, effective, and efficient means for improving their risk management practices.

Measure	Target				
(1) Necessary changes identified through third-party reviews (i.e., OIG, GAO, OMB, etc.)	Implement by year-end				
(2) Question 2[3] on the revised NCUA Examination Survey	4.5 average rating				
(3) Corporate credit unions with a CRIS Risk Management rating of 3 or better	90% or better				
Historical Performance					
	00	01	02	03	Est. 04	Est. 05
(1) Implement by	New goal for 2004.				12/04	12/05
(2) 4.5 or >	New goal for 2004.				4.5	4.5
(3) 90% or >	100%	100%	100%	100%	100%	100%

1.1(c): Emerging risks and trends are identified and evaluated for resulting regulatory changes, changes to the supervision process, and/or the development of guidance.

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[3] Question 2 asks whether the examination provided management with sufficient direction for improving risk management at the credit union.

Measure	Target
(1) National Risk Trends Report and other communications	Distribute to staff semi-annually and as needed

Historical Performance						
	00	01	02	03	Est. 04	Est. 05
(1) Distribute by	New goal for 2003.			3/03 9/03	3/04 9/04	3/05 9/05

Outcome Goal 1.2:

NCUA timely resolves safety and soundness issues.

1.2(a): The percentage of federally insured credit unions (FICUs) with long-standing unresolved problems that threaten their safety and soundness is limited.

Measure	Target
(1) FICUs that remain a CAMEL code 3 or greater for 36 months and have a Management component code of 3 or greater	3 percent or less
(2) FICUs that remain a CAMEL code 4 or 5 for more than 12 months	1 percent or less
(3) FICUs with a return on assets of less than 0.50% and net worth less than 6%	Acceptable range is 1 percent + or (-) .25%

Historical Performance						
	00	01	02	03	Est. 04	Est. 05
(1) 3% or less	New goal for 2004.				3%	3%
(2) 1% or less	New goal for 2004.				1%	1%
(3) 1% +(-) 25%	New goal for 2004.				0.75%	0.75%

1.2(b): FICUs in danger of insolvency are effectively monitored and assessed for continued viability.

Measure	Target
(1) FICUs with a net worth ratio of less than two percent	0.25 percent or less

Historical Performance						
	00	01	02	03	Est. 04	Est. 05
(1) 0.25 % or less	0.32%	0.30%	0.18%	0.25%	0.25%	0.25%

Outcome Goal 1.3:

NCUA's supervision efforts influence credit unions to effectively plan to meet current and future financial and managerial challenges.

1.3(a): NCUA staff, credit unions, and other interested parties are proficient in assessing strategic risk and understanding strategic planning concepts.

Measure	Target
(1) Percentage of FICUs with a high strategic risk rating	15 percent or less

Historical Performance						
	00	01	02	03	Est. 04	Est. 05
(1) 15% or less	New goal for 2004.				15%	15%

1.3(b): NCUA provides credit unions and staff with critical and valuable information to assist with planning and evaluating emerging issues.

Measure	Target
(1) Question 1[4] on the revised NCUA Examination Survey	4.5 average rating
(2) Letters to Credit Unions, Regulatory Alerts, and other communications	Issue as warranted
(3) Recommendations to improve NCUA's communication processes identified by audits conducted by the OIG.	Implement as necessary

Historical Performance						
	00	01	02	03	Est. 04	Est. 05
(1) 4.5 or >	New goal for 2003.			4.57	4.5	4.5
(2) Issue by	New goal for 2004				12/04	12/05
(3) Implement by	New goal for 2004.				12/04	12/05

Outcome Goal 1.4:

NCUA diligently manages the National Credit Union Share Insurance Fund (NCUSIF).

1.4(a): NCUA diligently manages the NCUSIF to support credit union deposit insurance needs.

Measure	Target
(1) NCUSIF Equity Ratio	1.3 percent
(2) Percentage of the credit union industry's market share of federally insured assets	Increase from prior year

Historical Performance						
	00	01	02	03	Est. 04	Est. 05
(1) 1.3%	1.3%	1.25%	1.27%	1.25%	1.3%	1.3%
(2) % Increase	New goal for 2004				6.31%	6.32%

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[4] Question 1 asks if the examiner communicated effectively with management and officials throughout the examination (e.g., sharing information, discussing applicable current credit union issues).

Means and Strategies:
1. Focus the risk-focused examination on the forward-looking analysis of the seven areas of risk relevant to credit union operations and on credit union management's ability to identify, evaluate, monitor, and control risk in their institutions.[5]
2. Conduct quality control reviews and supervisory examiner appraisals of the risk-focused examinations at the regional level to help ensure the integrity and effectiveness of risk-focused examination process.
3. Work cooperatively with the State Supervisory Authorities in their assessment of the financial and operational condition of federally insured state-chartered credit unions and in properly managing their risk to the NCUSIF.
4. Utilize supervision tools currently available and under development to evaluate risk to the NCUSIF at the individual credit union, geographic area, region, and national level and react appropriately to mitigate this risk.
5. Continue to issue Letters to Credit Unions, Regulatory Alerts, Technical Bulletins and other official communications as warranted on a timely basis.
6. Ensure the Central Liquidity Facility continues to operate in an efficient and timely manner in meeting the unforeseen liquidity needs of its members.

Strategic Goal 2:

The safe integration of credit union financial services and emerging technology

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Outcome Goal 2.1:

NCUA's supervision process is designed to identify, measure, monitor, report, and control the risks existing and emerging financial service technologies pose to credit unions and the NCUSIF.

2.1(a): NCUA Information System & Technology (IS&T) subject matter examiner workforce possesses an above average knowledge of procedures and controls in internal and external IS&T environments.

Measure				Target	
(1): IS&T SME Concept Understanding[6]				Review and, if necessary, update annually	
Historical Performance					
	00	01	02	03	Est. 04	Est. 05
(1) Complete by	New goal for 2004.				12/04	12/05

Outcome Goal 2.2:

NCUA provides information and resources to help ensure credit unions safely integrate, operate, and effectively manage existing and emerging financial service technologies.

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[5] The seven risk areas are; credit, interest rate, liquidity, transaction, compliance, strategic, and reputation.
[6] A Concept Understanding is the list of knowledge, skills and abilities that a SME should possess after a specified period of time.

2.2(a): The credit union community's use and understanding of technology planning including disaster recovery and contingency plans, due diligence expectations and best practices is enhanced.

Measure				Target	
(1) Guidance on effective technology management practices				Issue as necessary	
Historical Performance					
	00	01	02	03	Est. 04	Est. 05
(1) Issue by	New goal for 2004.				12/04	12/05

Means and Strategies:
1. Develop and implement a comprehensive program designed to provide initial and continuing education/training to subject matter examiners, examiners and SSA staff. This program should include establishing a baseline, program testing, evaluation, and reassessment through an examiner survey.
2. Enhance the sharing of Information Systems and Technology best practices among examiners, credit unions and trade associations through group meetings, regional intranet sites, and participation in sessions provided by the trade associations.
3. Monitor the number of CUs engaging in e-commerce activity and the type of activity utilized.
4. Promote voluntary agreements for 3rd party e-commerce vendor reviews.
5. Track e-commerce providers to monitor the volume and level of associated risk.

Strategic Goal 3:

A regulatory environment that facilitates credit union innovation to meet member financial service expectations while maintaining safety and soundness

Outcome Goal 3.1:

NCUA regulations are current, clearly written, flexible, necessary and relevant for an effective regulatory environment.

3.1(a): NCUA regulations facilitate credit union innovation.

Measure				Target	
(1) The completed review and update of the NCUA Rules and Regulations as appropriate.				One-third annually	
Historical Performance					
	00	01	02	03	Est. 04	Est. 05
(1) Complete by	New goal for 2003.			12/03	12/04	12/05

Outcome Goal 3.2:

NCUA's supervision process supports credit union financial services that are innovative and competitive in a changing economic environment.

3.2(a): The NCUA Board's regulatory philosophy is effectively communicated throughout all levels of the organization.

Measure	Target
(1) Employee satisfaction level with management communication of organizational information.	Implement recommendations in the NCUA Human Capital Survey Report to address the high percentage of negative responses to Question 64 of the Human Capital Survey[7]

Historical Performance						
	00	01	02	03	Est. 04	Est. 05
(1) Implement by	New goal for 2004.				12/04	12/05

3.2(b): NCUA's supervision process is efficient, effective, flexible and facilitative in a competitive environment yet maintains safety and soundness standards.

Measure	Target
(1) Credit union satisfaction with relevancy, (risk) focus and effectiveness of NCUA's supervision process as indicated on questions 3 and 7 of the NCUA Examination Survey[8].	Rating of 4.5 or greater
(2) Examination and supervision productive time as a percentage of total examiner time.	59%[9] or greater

Historical Performance						
	00	01	02	03	Est. 04	Est. 05
(1) 4.5 or >	Survey revised in 2003.			4.53	4.5	4.5
(2) 59% or >	56%	59%	59%	59%	59%	59%

Outcome Goal 3.3:

NCUA contributes to a regulatory environment that promotes credit union innovation.

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[7] Question 64 of the Human Capital Survey asks NCUA employees to rate their satisfaction level with the information they receive from management on what's going on in their organization.

[8] Question 3 asks if the topics discussed with credit union officials were relevant to the identified risks and potential risk exposure in the credit union. Question 7 asks if the overall examination process was effective.

[9] Ratio includes 5300 data collection and Small Credit Union Program time.

3.3(a): Communication of legislative and regulatory information is efficient, timely and effective.

Measure	Target					
(1) Availability of legislative and regulatory information to credit unions, credit union leagues, and trade associations.	Publish as appropriate					
Historical Performance						
	00	01	02	03	Est. 04	Est. 05
(1) Publish by	New goal for 2004.				12/04	12/05

Means and Strategies:

1. Promote the flexible regulatory philosophy through publications and meetings.
2. Review examination and supervision procedures for necessary changes considering economic conditions.
3. Review NCUA regulations for both natural person and corporate credit unions for needed changes to ensure they are current, necessary, and effective.
4. Enhance the ability of NCUA to share information and legislative efforts with credit unions, leagues, State Supervisory Authorities and associations.
5. Continue to promote a strong dual-chartering system by maintaining a balanced "playing field" through the appropriate means for the two systems.
6. Review and consider all communications/input regarding the effectiveness of all regulations.

Strategic Goal 4:

Credit unions leverage their unique place in the American financial system to extend availability of service to all who seek such service, while encouraging and recognizing their historical emphasis on servicing those of modest means

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Outcome Goal 4.1:

NCUA promotes increased credit union membership and accessibility with service to the underserved and enhanced financial service offerings.

4.1(a): Financial service availability is expanded to people from all walks of life.

Measure	Target					
(1) Potential underserved members added	An amount equal to or above the three-year moving average number of potential underserved members added					
Historical Performance						
	00	01	02	03	Est. 04	Est. 05
(1) Three year moving average	2.37	16.1	23.5	25.1	22	24

Outcome Goal 4.2:

NCUA appropriately shapes the regulatory environment to allow credit unions to meet the changing economical and sociological financial needs of credit union members.

4.2(a): The regulatory environment allows credit unions to enhance financial services by reducing regulatory barriers and sharing information and legislative efforts with credit unions, leagues, and associations.

Measure					Target	
(1) Percentage increase in the number of credit union members					An increase of 2.0 percent or greater[10]	
(2) Percentage increase in credit union assets					An increase of 8.0 percent or greater[11]	
(3) Percentage increase in credit union shares					An increase of 7.5 percent or greater[12]	
(4) Percentage increase in credit union loans outstanding					An increase of 6.0 percent or greater[13]	
Historical Performance						
	00	01	02	Est. 03	Est. 04	Est. 05
(1) Increase by	New goal for 2004.				2.0%	2.0%
(2) Increase by	New goal for 2004.				8.0%	8.0%
(3) Increase by	New goal for 2004				7.5%	7.5%
(4) Increase by	New goal for 2004				6.0%	6.0%

Outcome Goal 4.3:

NCUA identifies and shares innovative initiatives to further credit union service while ensuring the safe and sound condition of the credit union system.

4.3(a): Innovative best practice member service solutions are available to credit unions.

Measure					Target	
(1) Single focus workshops that foster *Access Across America* Initiative objectives					Conduct by year-end	
Historical Performance						
	00	01	02	03	Est. 04	Est. 05
(2) Conduct by	New goal for 2004.				12/04	12/05

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[10] The target is based on historical performance for the last three years.
[11] The target is based on the actual 10 year average increase in assets and current and forecasted economic conditions.
[12] The target is based on the actual 10 year average increase in shares and current and forecasted economic conditions.
[13] The target is based on historical performance for the last ten years and current and forecasted economic conditions.

Means and Strategies:
1. Promote and enhance the ability of federal credit unions to expand the availability of affordable products and services to people from all walks of life through the *Access Across America* initiative.
2. Encourage credit union use by all Americans through an education initiative on the value of the NCUSIF account coverage.
3. Encourage and facilitate federally chartered credit unions to focus on providing competitive services based on sound business practices, to partner with others to increase efficiencies and to consider means to provide technologically based services to those not having access to the Internet.
4. Provide federal credit unions with an efficient process to expand fields of membership through effective statutes (including Federal legislation), regulations, policies and procedures.
5. Identify challenges in forming new federal charters and expanding existing charters, and identify and share resources to mitigate those challenges, partnering with trade associations and others to enhance service to underserved groups.
6. Facilitate the identification of resources available for federal credit unions to obtain economies of scale and to attract and retain new members, especially the underserved.

Strategic Goal 5:

NCUA's organization is appropriately structured to enable credit unions to continue to flourish while addressing the challenges of the 21st century

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Outcome Goal 5.1:

NCUA has the ability to identify emerging management and human capital issues and trends and implement timely and effective solutions in a cost effective manner.

5.1(a): Human resource decisions are optimal, supported by data and aligned with the agency's mission, values, and goals.

Measure	Target				
(1) NCUA Human Capital Survey	Act on areas identified for improvement in the 2003 survey.				
Historical Performance					
	00	01	02	03	Est. 04	Est. 05
(1) Complete by	New goal for 2004.				12/04	12/05

5.1(b): Subject Matter Examiners (SME) maintain the requisite competencies required by their SME designation.

Measure	Target
(1) Identify SME competencies for placement in CU-12 examiner position description and	Review and, if necessary, update annually

performance standards	
(2) Examiner CU 5-12 Workforce Planning Survey competency self-assessment on questions pertaining to the SME designation.	Percentage of CU-12 examiners with an average response rating of 4[14] or better (establish baseline in 2004)

Historical Performance						
	00	01	02	03	Est. 04	Est. 05
(1) Complete by	New goal for 2004.				12/04	12/05
(2) 4 or >	New goal for 2004.				Baseline	TBD

5.1(c): NCUA staff has the requisite information technology skills to effectively support the accomplishment of agency mission and goals.

Measure	Target
(1) Examiner CU 5-12 Workforce Planning Survey competency self-assessments on questions pertaining to the use of agency provided hardware, purchased software, and custom applications.	Maintain at 90% or better the percentage of examiners with an average response rating of 4[15] or better

Historical Performance						
	00	01	02	03	Est. 04	Est. 05
(1) 4 or >	New goal for 2004.				90%	90%

5.1(d): Efficiency and effectiveness is enhanced through partnerships with sister FFIEC agencies.

Measure	Target
(1) FFIEC Annual Report	Advancement of inter-agency working group mutual goals.

Historical Performance						
	00	01	02	03	Est. 04	Est. 05
(1) Complete by	New goal for 2004.				12/04	12/05

Outcome Goal 5.2:

NCUA strategic goals are supported by an integrated, reliable and secure Information Technology architecture.

5.2(a): NCUA program and operational support-related capabilities are enhanced by leveraging existing and emerging technologies.

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[14] A rating of 4 indicates employee is provided training to achieve the requisite competency level.

[15] A rating of 4 on the 5 point training and experience scale indicates the employee uses the hardware or software independently as a regular part of the job, normally without review by a supervisor or senior employee

Measure	Target
(1) Independent customer service survey evaluation	Equal to or above peer group average rating.

Historical Performance						
	00	01	02	03	Est. 04	Est. 05
(1) Equal to or above peer group	N/A	N/A	3.83	3.38	TBD	TBD

5.2(b): Security reviews reflect minimal deficiencies

Measure	Target
(1) Federal Information Security Management Act (FISMA)-mandated security review	Minimum material deficiencies noted[16]

Historical Performance						
	00	01	02	Est. 03	Est. 04	Est. 05
(1) Deficiencies	N/A	N/A	None	None	None	None

5.2(c): NCUA networks and servers are reliable.

Measure	Target
(1) Percentage of network and server availability	Maintain at an acceptably high level (98%)

Historical Performance						
	00	01	02	03	Est. 04	Est. 05
(1) 98 % Availability	N/A	N/A	98.94 98.57	99.21 98.69	98 98	98 98

Outcome Goal 5.3:

NCUA's organizational structure supports a safe and sound credit union system while facilitating growth and development in a changing environment.

5.3(a): NCUA employs sound business planning principles at all levels of the agency to assess past performance and improve future operating results.

Measure	Target
(1) Requirements detailed in NCUA Instruction 9501 "NCUA Strategic and Annual Performance Planning" dated April 15, 2003.	Complete applicable requirements by year-end

Historical Performance						
	00	01	02	03	Est. 04	Est. 05

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[16] If any determined, they will be corrected as soon as practical and prudent given the nature of the deficiency and the degree of risk.

(1) Complete by	New goal for 2004.				12/04	12/05

5.3(b): NCUA examination and supervision procedures are appropriately structured to identify and minimize the potential risks arising from large credit unions.

Measure		Target				
(1) Large credit union pilot program		Implement best practices				
Historical Performance						
	00	01	02	03	Est. 04	Est. 05
(1) Implement by	New goal for 2004.				12/04	12/05

Outcome Goal 5.4:

The people, tools, and structure is in place to minimize the impact of any potential crisis situation.

5.4(a): The operational impact of a crisis situation is minimized.

Measure		Target				
(1) Continuity of Operations Plan		Review, test and, if necessary, update by year-end				
Historical Performance						
	00	01	02	03	Est. 04	Est. 05
(1) Test and update by	New goal for 2004.				12/04	12/05

5.4(b): NCUA physical, human capital and information technology assets are protected during a crisis situation.

Measure		Target				
(1) Continuity of Operations Plan		Review, test and, if necessary, update by year-end				
Historical Performance						
	00	01	02	03	Est. 04	Est. 05
(1) Test and update by	New goal for 2004.				12/04	12/05

Means and Strategies:

1. Employ effective business planning strategies to continually evaluate the validity and applicability of NCUA's strategic goals, outcome goals, and annual performance goals and measures.
2. Ensure human capital support systems provide necessary tools to meet current and evolving requirements of risk-focused transition and those set by the Office of Personnel Management.

3. Evaluate emerging technologies as potential tools to enhance operational effectiveness and efficiency where appropriate.
4. Promote internal collaboration and efficiency by maintaining a continual strategic dialog between all NCUA Regional and Office Directors through their participation on the Strategic Management Council.
5. Identify, resolve, and report security weaknesses and risks, as well as protect against future vulnerabilities and threats in accordance with the Government Information Security Reform Act, and the Office of Management and Budget's Updated Guidance on Security Plans of Action and Milestones.

Data Verification and Validation

The examination and supervision programs for natural person and corporate credit unions employ multiple checks and balances to evaluate processes and to verify and validate data collected. These checks and balances are the responsibility of the Office of Examination and Insurance, the Office of Corporate Credit Unions, and the Regional Offices. The Office of the Chief Financial Officer is responsible for the verification and validation of budget data collected. A few of the processes used are listed below by way of example:

Surveillance Systems Working Group. This newly formed group is made up of regional and central office employees. The group's charter is to develop a comprehensive understanding of NCUA's entire data collection, storage, and retrieval process, maintain up-to-date documentation on these processes and systems, assist in the implementation of needed changes to our processes and systems, and provide recommendations for improving data collection methods.

5300 Call Report Program. The 5300 Call Report Program is the source of most data collected and reports produced concerning natural person credit union activities. The data are reviewed at three levels for accuracy and validity: the examiner level, the Regional or State Supervisory Authority level, and the Central Office level. The Automated Integrated Regulatory Examination System Committee conducts continuous reviews of the data collected to ensure specific alignment with the agency's program and to the changing environment of credit unions.

5310 Call Report Program. The 5310 Call Report Program is the source of most data collected and reports produced concerning corporate credit union activities. The data are reviewed initially for accuracy and integrity by corporate office staff before being reviewed by corporate field staff. If the corporate credit union has a state charter, the appropriate State Supervisory Authority may review the data. The Office of Corporate Credit Union staff then reviews the 5310 data of both federal and state corporate credit unions to assist in ensuring its integrity and accuracy. Corporate examination procedures are also periodically reviewed by the Office of Corporate Credit Union staff to ensure their specific alignment with the agency's program and to the changing environment of corporate credit unions.

Information System and Technology Program. The Information System and Technology Program provides continuous oversight of the natural person credit union technology related data in addressing safe and secure integration and use of information technology. The accuracy of this data is also reviewed at three levels, as above.

Annual Audits. An outside independent accounting firm conducts annual Certified Public Accountant audits on the National Credit Union Share Insurance Fund, National Credit Union Administration Operating Fund, Community Development Revolving Loan Program, and the Central Liquidity Facility to ensure the accuracy of their financial data.

APPENDIX A: Human Capital Management Plan

NCUA's Human Capital Management Plan focuses on the means by which its personnel are recruited, trained, and retained in the most effective and efficient manner to accomplish the mission. It also addresses the requirements of The President's Management Agenda and the directives of the Office of Personnel Management. The concepts, ideas and elements expressed within are intended for NCUA internal use only.

Environmental Scan:
Demographics. The NCUA staff is its most critical and valuable asset. The agency has invested substantial amounts of time and effort in recruiting, developing and maintaining its highly performing, qualified and diverse workforce.

NCUA expects a greater than normal number of retirements for all employees. However, the largest number of retirements over the next 10 years will be at the supervisory and executive level. Nearly 60 percent of the supervisory examiner workforce and nearly 65 percent of the executive level workforce will be eligible to retire by 2011.

The anticipated executive level and supervisory level retirements provide an excellent opportunity to reassess NCUA's structure; with a focus on ensuring the agency is citizen-centered as directed by the President's Management Agenda. Implementation of the results of this reassessment began in 2002 with a realignment of headquarters offices and continued into 2004 with field realignment. This assessment included a determination of the necessary and appropriate number of

executive and supervisory staff, and the number and location of regional offices.

To assure a continuing source of highly qualified leaders, NCUA has developed in-house management and executive development programs targeted at NCUA employees currently at the CU-12 through CU-16 levels.

At the staff level, retention is steady at a high 94 percent fill-rate due to recruitment and retention programs. The fill-rate has also been influenced by planned staff reductions in 2002 and 2003. Recruitment programs have enabled NCUA to maintain a steady influx of candidates for the primary agency occupation, the credit union examiner, with minimal disruptions as workforce losses occur due to retirements and other causes.

Subject Matter Examiner Competency Analysis. During 2003 and 2004, we continued our efforts to conduct competency evaluations of critical occupations. Following up the prior study of CU 5-12 Credit Union Examiners, we conducted a competency analysis of subject matter examiner (SME) areas assigned to CU-12 examiners, in addition to their examination and supervision responsibilities for their assigned districts. The competency study defined competency requirements in seven SME areas as the first step in a two year process of implementing structured developmental programs for each area that will include identified competencies and competency levels, developmental/training resources, and methods for measuring the effectiveness of the learning event and the transfer of learned skills to the job.

The further development of SME skills is vital to the accomplishment of the NCUA mission. As SMEs, examiners expand their knowledge of an assigned risk area, such as capital markets or information systems and technology. In this role, they are able to serve as resources in assessing risks, identify when the skills of specialists in their risk area are required, and provide training to other examiners. The expanded knowledge and skill base across the examiner workforce fosters the continued safety and soundness of federally insured credit unions and protects the National Credit Union Share Insurance Fund (NCUSIF).

Human Capital Program Activity	
Support of Safety and Soundness Mission:	
➤ Agency Program Alignment	➤ Performance Culture
➤ Recruitment and Retention	➤ Continuous Learning
➤ Leadership	➤ Equal Opportunity

Note: NCUA's 5-Year Work Force Plan is designed to meet the human capital goals and standards set in the Office of Personnel Management's *Human Capital Scorecard* and the Office of Management and Budget's *Human Capital Standards for Success,* for the President's Management Agenda (PMA).

Strategic Goal 1:
Align human capital policies with strategic goals.
Outcome Goal 1.1: Align NCUA's human capital policies to support accomplishment of its mission, vision, goals and strategies.

Means and Strategies:
1. Ensure human capital goals and strategies in the agency's strategic plan and the human resources annual performance plan support mission needs and the PMA.
2. Reinforce linkage between competencies for mission critical occupations and achievement of NCUA strategic goals through such activities as employee training on risk focused supervision process; changes in position descriptions and performance standards to reflect a new risk-focused credit union supervision role; and regular reports to all employees on progress in meeting goals.
3. Assess structure of agency and implement changes to better meet mission goals.
4. Assess progress toward this goal by administering the annual Human Capital Survey.
5. Identify issues and progress toward this goal through Human Resources Internal Review program.
6. Encourage broad employee involvement in updates to NCUA Strategic Plan.
7. Participate in Government-wide collaborative efforts and/or managerial/professional/employee organizations to share best practices and leverage lessons learned.

	Annual Performance Goal 1.1
➤ 2005	1.1a: Ensure there are explicit and well communicated links between HR strategies and plans and the agency's strategic objectives. 1.1b: Ensure the agency is well structured to support its mission. 1.1c: Ensure employees understand their organization's plans and are involved in the strategic planning and reporting process.

Strategic Goal 2:	
Recruit, develop and retain employees with strategic competencies.	
Outcome Goal 2.1: Ensure NCUA recruits, develops and retains employees with the strategic competencies required for mission critical occupations.	

Means and Strategies:
1. Identify current and potential competency gaps and succession planning needs by conducting workforce planning studies of primary mission-critical occupations and implement recruitment, staffing, training, retention, or other actions (as needed) to better meet requirements.
2. Give management direct automated access to competency information to assist in addressing individual employee and organizational competency needs.
3. Ensure employees acquire mission critical competencies by modifying training and development programs and guidance materials as required (e.g., Entry Level Examiner training courses, manuals, and on-the-job development program; technical training for subject matter examiners; competency-based training and development catalog).
4. Provide efficient, effective staffing services to meet NCUA's resource management needs (e.g., fill times for examiner recruitment).
5. Maintain turnover rate for Credit Union Examiners at 9 percent or less.
6. Maintain at least a 95 percent fill-rate for Credit Union Examiners throughout the year. Note: Turnover-rate and fill-rate are independent of the target full time equivalent. For example, should a lower full time equivalent level be established, the 95 percent is based on the lower full time equivalent.
7. Identify issues and progress toward goals through the Human Resources Internal Review program.
8. Assess progress toward this goal by administering the annual Human Capital Survey.

	Annual Performance Goal 2.1
➢ 2005	2.1a: Ensure the desired competency levels in mission critical occupations are achieved. 2.1b: Ensure the desired recruitment/retention rate for employees with strategic competencies is achieved. 2.1c: Ensure the desired quality level of new hires is achieved.

Strategic Goal 3:	
Inspire and guide achievement of strategic goals in a high quality work environment.	
Outcome Goal 3.1: Ensure agency leadership inspires, motivates and guides other toward goals; coaches, mentors and challenges staff; adapts leadership styles to various situations; establishes a clear vision for change; models high standards of honesty, integrity, trust, openness and respect for all by applying these values.	

Means and Strategies:
1. Provide opportunities, on a competitive basis, for supervisory and non-supervisory staff to identify and overcome gaps in first line supervisory and executive level competencies through participation in NCUA Management and Executive Development Programs and government-wide leadership programs.
2. Promote compliance with merit principles and ethical standards through training of supervisory, management, and executive staff.
3. Identify and address current and potential competency gaps and succession planning needs by conducting workforce planning studies of mission-critical supervisory occupations and implement recruitment, staffing, training, retention, or other actions, as needed.
4. Assess progress toward this goal by administering the annual Human Capital Survey.

	Annual Performance Goal 3.1
➢ 2005	3.1a: Ensure agency recruits, develops, and retains high performing leaders. 3.1b: Ensure agency leaders create high levels of motivation and commitment in the workforce. 3.1c: Ensure leaders maintain high standards of honesty and integrity that serve as a model to the whole workforce.

Strategic Goal 4:
Develop and maintain a high performance organizational culture.
Outcome Goal 4.1: Create a high performance culture that values and rewards employee' contributions to the work of the organization and promotes shared values while ensuring fairness in the workplace.

Means and Strategies:
1. Ensure employee pay is tied to work performance through use of NCUA-wide merit pay system.
2. Foster a high performance culture by use of the full range of awards programs.
3. Use a contributions-based personnel system for NCUA executives to determine pay for promotions or reassignments to executive level.
4. Address employee performance problems through use of performance improvement plans and other personnel actions, such as reassignments, downgrades, and removals.
5. Identify issues and progress toward this goal through a Human Resources Internal Review program.
6. Assess progress toward this goal by administering the annual Human Capital Survey.
7. Foster a climate that values diversity through diversity education programs in connection with government-wide diversity recognition programs.
8. Promote employment diversity within NCUA through diversity recruitment efforts.

9. Assure employee's contributions are accurately measured and goal oriented by strengthening understanding of the appraisal process.

	Annual Performance Goal 4.1
➢ 2005	4.1a: Ensure agency develops, rewards, and retains high performers while dealing effectively and efficiently with poor performers. 4.1b: Ensure employees are engaged and focused on achieving the high standards and optimum results expected of them. 4.1c: Ensure the agency fosters a climate that values diversity.

Strategic Goal 5:   **Create and promote an agency culture of continuous learning (knowledge management).**
Outcome Goal 5.1: Ensure the agency promotes a knowledge-sharing culture in a climate of fairness, openness and continuous learning and improvement.

Means and Strategies:

1. Link employee training and development goals and programs to mission related goals in NCUA strategic plan (e.g., transition to risk-focused credit union supervision).
2. Address current and potential competency gaps and succession planning needs by conducting workforce planning studies of mission-critical supervisory occupations and implement recruitment, staffing, training, retention, or other actions, as needed.
3. Enhance ongoing management of competencies across mission critical occupations by exploring computer-based skills competency management tools.
4. Improve access to learning opportunities through an NCUA training and development catalog based on competencies.
5. Promote continuous learning and improvement through Individual Development Plans for every employee on an annual basis.
6. Improve access by every employee to the latest information, best practices, and upcoming program changes via NCUA's e-mail and intranet systems.
7. Facilitate cost-efficient training, meetings, and information sharing by a widely dispersed nationwide workforce through an agency videoconferencing system.
8. Promote skills development and maintenance of state-of-the-art knowledge of credit union and financial issues with in depth technical training programs.
9. Encourage participation in the Federal Financial Institutions Examination Council technical training courses offered to NCUA employees.
10. Enable each Credit Union Examiner to maintain up-to-date knowledge by providing an annual stipend for the purchase of work-related publications.
11. Invest in internal Management/Executive Development Programs, which enable employees, selected on a competitive basis, to participate in formal courses, developmental assignments, and a group project providing experiential learning.

12. Test computer-based electronic learning to identify the costs/benefits of this methodology for a workforce that is geographically dispersed.
13. Maintain comparability with credit union and banking industry on percent of budget spent for employee training and development. (E.g., in 2003, NCUA spent an average of 2.16 percent as compared to an average of 3.14 percent across the financial industry.*)
14. Assess progress toward this goal by administering the annual Human Capital Survey.
15. Encourage learning and growth through training and development opportunities offered to employees each year.
16. Promote effective utilization of resources by enhancing supervisory competencies and maintaining state-of-the-art knowledge through performance management and discipline training.

* Industry data is published by the American Society of Training & Development (ASTD). The ASTD financial industry data cited includes financial institutions (e.g., banks, credit unions) and insurance and real estate organizations.

	Annual Performance Goal 5.1
➢ 2005	5.1a: Ensure knowledge management systems and/or strategies are in place for use within the agency. 5.1b: Ensure agency invests strategically in training and development opportunities for all employees. 5.1c: Ensure a climate of learning and growth exists throughout the agency.

NCUA's Information Technology Management Plan focuses on the means by which information technology will be used to support and enhance mission accomplishment. It also addresses the requirements of The President's Management Agenda and directives of the Office of Management and Budget. The concepts, ideas, and elements expressed within are intended for NCUA internal use only and do not address credit union use of information technology.

Introduction
The Clinger-Cohen Act requires all Federal agencies to define the current and future information technology environment or "Enterprise Architecture." The difference between the current and the future (target) environment determines what must be accomplished and is used as a basis to develop the agency's information technology strategic and annual performance goals.

Information Technology Vision Statement
To be a leader in government and serve as a model to the credit union industry in the delivery of timely, accurate and complete information technology resources, products and services.

Information Technology Mission Statement
Provide agency staff and external customers with quality information technology products and services that foster efficient operations and support the mission of NCUA.

Current Environment

Work Processes and Information Sets Used:

Work Process	Support Data
Natural Person and Corporate Credit Union Examination Programs, Asset Management and Assistance Program, Central Liquidity Facility Program, and Community Development Revolving Loan Fund Program	Financial and management data, personnel resource execution data, and regional and national trend information
Financial Management Program	Accounting, budgeting, travel, expense, and other financial data
Human Capital Management Program	Personnel management and life cycle information (i.e., recruiting, classification, staffing, compensation, benefits, training, etc.)

Applications and Systems Supported
Custom Applications. Microsoft Visual Basic development software is used to create custom applications that support a number of agency functions. The core custom applications maintain chartering, examination and financial data stored in the central office database. The applications are multi-tiered and serve both office and field functions. The first tier is the presentation application, which is what the user sees. The lowest tier is

the central database, which is built on Microsoft SQL Server 2000. Additionally, some custom applications host the first tier on the Intranet or the Extranet and are developed using Active Server Pages.

Automated Integrated Regulatory Examination System (AIRES). AIRES is a combination of a Visual Basic program, Microsoft Access database, Microsoft Excel worksheets, and Microsoft Word documents. The parts work together to form a total examination system.

Comprehensive Human Resources Integrated System (CHRIS). CHRIS is maintained for NCUA by the General Services Administration and supports all aspects of the personnel life cycle to include recruiting, classification, staffing, compensation, benefits, training, equal employment opportunity reporting, and personnel processing and management.

Financial and Statistical System (F&S). The F&S System contains the financial data for the credit unions. The data from the Form 5300 and Form 5310 Call Reports are maintained in this system.

Management Information System (MIS). The MIS contains information regarding the credit union's location and select event history and financial data. An event can be a merger, liquidation, operations resumption, purchase and assumption, conversion, and/or cancellation.

OSCAR. OSCAR maintains historical credit union examination data for viewing and use by examiners. The data

is collected from other systems supported by the NCUA.

Voice over Internet Protocol (VoIP) Phone System. The VoIP digital phone system supports the agency's telephone and voicemail messaging system.

Time Management System (TMS). The TMS contains examiner's weekly examination hours, details of time charged, and itinerary.

Videoconferencing System. The Videoconferencing System connects the five regional offices and the Central Office using an Internet Protocol based videoconferencing system.

Software. All client computers are configured with Microsoft Windows 2000, Microsoft Office XP, Microsoft Outlook, and Microsoft Internet Explorer.

Agency servers are configured with either Microsoft Windows NT Server or Microsoft Windows 2000 Server operating systems and provide a variety of services including e-mail (Microsoft Exchange 2000), central database (Microsoft Sequel Server 2000), SAP server, and file storage (SANS).

SAP R/3 is an Enterprise Resource Planning software package and is used to manage the agency's core financial processes. The SAP R/3 Financial Accounting, Controlling, Material Management, and the Human Resources modules have been implemented to support NCUA headquarters, five regional offices, and the Asset Management & Assistance Center. This system also supplies financial processing services for the National Credit Union

Share Insurance Fund, the NCUA Operating Fund, the Central Liquidity Facility, and the Community Development Revolving Loan Fund.

Web-based Environments. NCUA maintains three different web-based environments, which are accessed using a standard Internet browser. Each environment serves a different customer base and is built accordingly.

Internet. The NCUA web site (www.ncua.gov) is built on I-Planet Enterprise Server software and is accessible by anyone having Internet access. The Office of Public and Congressional Affairs maintains the site with content supplied by NCUA offices. Custom data query software is also maintained on the site using Cold Fusion.

Intranet. The NCUA intranet is built on Microsoft Internet Information Server and is accessible only by NCUA employees and state regulator employees. The Office of Public and Congressional Affairs maintains the structure of the site as well as the custom applications that are hosted on the Intranet. Various NCUA offices own portions of the Intranet and are responsible for appearance and content.

Extranet. The NCUA extranet is built on Microsoft Internet Information Server and serves credit unions interested in using the automated field of membership expansion application or the eSend to NCUA function for the 5300 Call Report and the Report of Officials. The Office of the Chief Information Officer maintains the extranet site and the custom application it serves. This is a secure site using Verisign Certificates.

Only those credit unions that have been granted a certificate can access this site.

Technology Architecture
Hardware. NCUA uses a single end-user computing platform for all users: the Compaq Evo N800c notebook computer. NCUA servers are all Compaq Proliants; however, we periodically upgrade or replace the servers on the network. The current configuration is listed in the NCUA Wide Area Network diagram. Network storage is an EMC Corporation Clariion storage area network system.

Communications. NCUA has five Local Area Networks all connected through the agency Wide Area Network. This configuration is described in the NCUA Wide Area Network diagram. Dial-up and broadband connections to the agency Virtual Private Network (VPN) and the Internet connection are part of the network diagram. Connections to communication systems outside NCUA are protected through a Firewall.

Future (Target) Environment
Work Processes:
The focus will be to provide tools to enhance the work processes for increased efficiency and effectiveness.

Information and Information Sets Used:
All information and information sets shown above will continue to be collected. The focus will be on providing tools to enhance the collection processes for increased efficiency and effectiveness in accordance with the NCUA programs. NCUA is migrating toward using Web-based collection means and information distribution. Web-based Form 5300 and Form 5310

Call Report filing is the first step in that migration.

Applications and Systems Supported*:*
All current applications and systems will continue to be supported. The focus will be on enhancing the applications and systems to improve the work. The Financial and Statistical System (Form 5300 and 5310 Call Report Data Collection) is under continuous review and enhancements by the Office of Examination and Insurance and the Office of Corporate Credit Unions. Efforts are also underway to develop a Risk Modeling System to enhance the examiner's capability to assess credit union risk profiles.
Additionally, NCUA will develop off-site monitoring for enhanced data management and supervision for increased efficiency and effectiveness in accordance with the NCUA Risk-Focused Examination Program.

Technology Architecture*:*
Hardware. NCUA replaces all the agency end-user computers every three years. This allows NCUA to stay current with changes in hardware and software technology. Anticipated improvements in hardware include faster processing, greater data storage, enhanced archiving using multi-media removable drives, wireless capabilities, and smart card capabilities to improve security.

Communications. NCUA's goal is to constantly improve performance and availability of the network. Future plans to enhance the network include enhanced Internet connectivity and establishing direct communication connections to a remote disaster recovery site.

Security. Security is an integral part of all agency systems and is incorporated throughout the life cycle of each system. The Federal Information Security Management Act requires that agencies maintain and implement a security plan with appropriate security controls for all critical elements of each system in place. Each plan is reviewed annually for effectiveness. More frequent reviews are completed as necessary for significant changes to the system or to the environment.

APPENDIX C: Contingency Planning

The Federal Government is committed to ensuring that the financial services system will be able to continue to operate under crisis conditions. The Continuity of Operations Planning Appendix looks at how NCUA assesses and mitigates event risk and how NCUA evaluates its programs for mission impact.

This appendix also addresses the requirements of The President's Management Agenda, the Federal Information Security Management Act, and recent guidance from the Office of Management and Budget, the Department of Homeland Security (DHS), the Financial Banking Information Infrastructure Committee (FBIIC) and the Financial Services Sector Committee (FSSC).

The concepts, ideas and elements expressed herein are intended for NCUA internal use only and do not address individual credit union contingency planning efforts, which should be based upon their own needs and requirements.

NCUA's approach to Continuity of Operations Planning is based on the concept that the most effective management of a crisis situation occurs when it is detected and dealt with quickly. To that end, NCUA annually conducts a series of practice exercises designed to test procedures and identify areas for potential improvement and/or enhancement.

NCUA also annually updates its Continuity of Operations Plan (COOP) to integrate the latest guidance from the DHS, FBIIC and FSSC. NCUA COOP is provided to help NCUA officials prepare for specific contingency situations. The COOP provides general information for the COOP program and delineates specific responsibilities and procedures. The COOP is supported by Central and Regional Office COOPs, each containing the office's mission, essential functions, order of succession, and delegations of authority. The central and regional office COOPs also list supporting staff, information systems and services, vital information and special equipment required to perform essential functions during a COOP operation.

Continuity of Operations Planning Mission

Minimize the impact of any potential disruption to agency operations while continuing to carry out its mission. NCUA accomplishes this by identifying those functions and/or processes that are critical to its operations and develops plans to deal with the potential failure of one or more of them.

NCUA Strategic and Outcome Continuity of Operations Planning Goals follow in the table below and are an outgrowth of the governmental guidance, exercise lessons learned and planning efforts described above.

Continuity of Operations Planning Strategic Goals

Strategic Goal 1:
Enhanced ability to assess, direct and manage the potential impact on operations during crisis situations.

Strategic, Outcome and Annual Performance Goal Linkage

This goal deals with the element of Situation Management whose outcome is for NCUA to effectively manage its operations while minimizing the impact of any potential crisis situation.

o It focuses on the development and communication of management actions to staff and the training of staff to handle these actions.

o It is also concerned with the ability of senior management to assess and manage to minimize the impact of the crisis.

Means and Strategies

1. Identify, train and maintain an effective crisis management team.
2. Identify and prioritize potential crisis scenarios.
3. Prioritize overall agency operations and allocate resources appropriately.
4. Provide oversight of the development, testing, and distribution of crisis response plans.
5. Review, update and enhance crisis response plans.

Strategic Goal 2:
Enhanced capability to continue critical operations in crisis situations.

Strategic, Outcome and Annual Performance Goal Linkage

This goal addresses Continuity of Operations which is the ability to create and maintain an effective operational structure to ensure the continuity of operations.

o It focuses on the ability to identify those critical elements needed to sustain operations.

o It focuses on the ability to maintain and operate those critical elements.

Means and Strategies

1. Assess potential crisis situations for the potential impact on program operations.
2. Identify critical program and operational systems.
3. Assess critical systems for their potential impact on the continuity of operations and prioritize based on impact (e.g., allowable down time).
4. Protect the operational integrity of the control structure during a crisis situation.
5. Develop continuity of operations / crisis response plans for critical systems.
6. Train and exercise staff in the execution of continuity of operations / crisis response plans.

Strategic Goal 3

Ensure safe and secure Physical, Human Capital and Information Technology assets.

Strategic, Outcome and Annual Performance Goal Linkage

This goal addresses the various aspects of security for NCUA's assets.

o   It focuses on the ability to stay abreast of current threats to agency assets.
o   It also focuses on the ability to protect those assets.

Means and Strategies

1. Identify NCUA's critical facilities and equipment, human capital and information technology assets.
2. Assess critical assets for potential internal and external threats.
3. Assess critical systems to identify external factors that affect NCUA's ability to protect critical assets.
4. Develop options to protect critical assets.
5. Test agency-wide plans annually to protect critical assets, both physical and electronic, during a crisis.
6. Train NCUA and SSA employees on the appropriate aspects of the Federal Information Security Management Act.

Strategic Goal 4

Ensure an effective, secure and sustainable communications network during a crisis situation.

Strategic, Outcome and Annual Performance Goal Linkage

This goal addresses Crisis Communication.

o   It focuses on the ability to provide effective communications to staff, other Federal and state agencies, the credit union community and the general public.
o   It also focuses on the ability to maintain the integrity and function of the communication network.

Means and Strategies

1. Identify critical agency communication needs.
2. Identify NCUA's critical communications systems (facilities, equipment, and/or personnel).
3. Assess critical communications systems for potential internal and external threats.
4. Develop alternative means of communicating.
5. Develop and maintain an effective public affairs and media communications plan for use.
6. Test agency-wide communication systems as part of the continuity of operations plan.

Glossary of Terms

Environmental Scan – a forward-looking perspective or scan of social, technological, economic, ecologic, political/legislative, international, or other conditions that are relevant to the major functions and operations of the agency over the time period covered by the plan.

Information Technology Enterprise Architecture - the framework an organization uses to articulate its information technology priorities, to manage for results, and to tie information technology architecture to mission objectives. This framework is a comprehensive plan that includes the delimitation of information technology objectives and a description of how resources will be deployed to accomplish them.

Outcome Goal – a description of an intended result, effect, or consequence that will occur from carrying out a program or activity.

Output Goal – a target of performance of the level of activity or effort that will be produced or provided over a period of time or by a specified date, including a description of the characteristics and attributes (e.g., timeliness) established as standards in the course of conducting the activity or effort.

Mission Statement – the articulation of why an organization exists, the "business" it engages in to achieve its purpose, and the values that guide the accomplishment of the mission.

Performance Goal – a target level of performance expressed as a tangible, measurable objective, against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate.

Performance Measure – the results of a program activity compared to its intended purpose expressed as an outcome (assessment) or an output (quantitative or qualitative).

Performance Budget – a budget presentation that clearly links performance goals with costs for achieving a target level of performance. It links strategic goals with related annual performance goals and with the costs of specific activities.

Performance Report – an assessment of an agency's actual performance and progress in achieving the goals and objectives in the strategic plan and annual performance plan. It also assesses the reliability and completeness of the data contained within it.

Performance Target – a specific tabulation, calculation, characteristic or value used to measure output or outcome.

Program Activity – a specific activity or project as listed in the program and financing schedules of the annual budget.

Program Evaluation – an assessment, through objective measurement and systematic analysis, of the manner and

extent to which programs achieve intended objectives.

Strategic Goal – a broad definition of what an agency wants to achieve both organizationally and/or programmatically over a period of time. It should allow for a future assessment to be made of whether the goal was or is being achieved.

Strategic Plan – the framework an organization uses to articulate priorities, to manage for results, and to tie results to the customer/member/beneficiary. The strategic plan is a comprehensive plan that includes the delimitation of strategic objectives and a description of how resources will be deployed to accomplish them.

Strategic Picture – the articulation of a forward-looking image based on the intelligent projection of trends that represent one or more probable scenarios over the time period covered by the plan. It identifies the environmental and operational factors that are relevant to the accomplishment of the major functions and operations of the agency.

Value Statement – the articulation of those defining characteristics or values that guide an organization's members as they pursue the mission.

Vision Statement – the articulation of the mental image that represents the successful accomplishment of the mission.

Work Force Plan – the framework an organization uses to articulate human capital priorities, to manage for results, and to align the organizational structure with the efficient accomplishment of its mission. The work force plan is a comprehensive plan that includes the delimitation of specific human capital objectives designed to enhance effectiveness and a description of how resources will be deployed to accomplish them.