



## The FDIC's Management of Employee Talent

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September 2021

AEC Memorandum No. 21-002

### Memorandum Audits, Evaluations, and Cyber





**Date:** September 1, 2021

**Memorandum To:** Brandon Milhorn  
Deputy to the Chairman, Chief Operating Officer, and Chief of Staff

Doreen R. Eberley  
Director, Division of Risk Management Supervision

**/Signed/**

**From:** Terry L. Gibson  
Assistant Inspector General for Audits, Evaluations, and Cyber

**Subject** | The FDIC’s Management of Employee Talent |  
AEC Memorandum 21-002

This Memorandum presents the results of our evaluation of *The FDIC’s Allocation and Retention of Safety and Soundness Examination Staff*.<sup>1</sup> During the course of our evaluation, we identified concerns regarding the Federal Deposit Insurance Corporation’s (FDIC) management of employee talent, and this Memorandum advises the FDIC of our concerns in this area. While the FDIC employs certain talent management activities, the FDIC’s retention management strategy should have clearly defined goals, a process for collecting and analyzing data, and a process for measuring the effectiveness of its retention activities. We are making three recommendations to improve the FDIC’s management of employee talent and for the FDIC to measure the effectiveness of its retention efforts and activities.<sup>2</sup> The FDIC concurred with each of the recommendations.

## BACKGROUND

The FDIC relies upon the talents and skills of its employees to accomplish its mission. As part of an agency’s “talent management”, the Office of Personnel Management (OPM) recommends retention strategies as a way to create an environment where employees understand and are committed to the mission of the organization and empowered to make a difference.

The term “talent management”<sup>3</sup> encompasses attracting and retaining talent for improving organizational performance, while also considering attrition. Talent management refers to a process to address competency gaps, by implementing and maintaining programs to attract, develop, promote, and retain talent, particularly for mission-critical positions and occupations.<sup>4</sup>

<sup>1</sup> We performed our evaluation fieldwork from July 2019 to August 2020, at the FDIC’s offices in Arlington, Virginia, and Washington, D.C. We conducted this evaluation in accordance with the Council of the Inspectors General on Integrity and Efficiency’s *Quality Standards for Inspection and Evaluation*.

<sup>2</sup> We conducted our work related to these concerns and recommendations in accordance with CIGIE’s *Quality Standards for Federal Offices of Inspector General* and adhered to the professional standards of independence, due professional care, and quality assurance.

<sup>3</sup> The McKinsey Quarterly, *The War for Talent* (1998 Number 3).

<sup>4</sup> OPM, *Guidance on Establishing an Annual Leadership Talent Management and Succession Planning Process* (November 2017).

In addition, according to the Society for Human Resources Management (SHRM),<sup>5</sup> agency officials should implement retention strategies in order to enhance the organization's investments in its employees.<sup>6</sup> Strong retention management strategies can help an organization retain its valuable human capital assets. However, high retention and low turnover in the workplace may hinder innovation, diversity, and productivity as well, as it may result in difficulty to implement change; increased employee costs; and lack of new talent, fresh perspectives, and modern skills. The FDIC should determine the appropriate strategy for achieving its desired results regarding employee talent.

Based on our review of OPM and industry best practices,<sup>7</sup> regularly measuring the results of the FDIC's talent management practices and activities will assist the Agency in making decisions on how to adjust its strategies.

### **FDIC Attrition and Potential Gaps**

According to FDIC data, over the next 5 years (through 2025), approximately 42 percent of current FDIC employees will be eligible to retire, and approximately 60 percent of current FDIC Executives and Managers will be eligible to retire. Notably, all nine FDIC Divisions have retirement eligibility rates that are higher than the Federal Government-wide rate of 15 percent.<sup>8</sup> Further, five key FDIC Divisions have staff retirement-eligible rates ranging from 44 to 68 percent, including the Division of Resolutions and Receiverships (68 percent), the Division of Finance (55 percent),<sup>9</sup> the Legal Division (55 percent), the Division of Administration (DOA) (56 percent), and the Division of Information Technology (44 percent).

According to the Government Accountability Office (GAO), without proper succession planning strategies to monitor and manage turnover, retirements can result in organizational knowledge and leadership gaps.<sup>10</sup> Such knowledge and leadership gaps could aggravate other skills gaps. According to the GAO, "[t]he Office of Personnel Management and federal agencies must continue developing the capacity to measure and address existing mission-critical skills gaps."<sup>11</sup>

Talent management should be a focus for the FDIC, especially given the economic uncertainty resulting from the coronavirus pandemic and the need to retain employees with skills, experience, and leadership capabilities. Additionally, talent management is important as the FDIC looks to reshape its workforce to transition the Agency and operations following the pandemic.

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<sup>5</sup> SHRM is the largest human resources (HR) professional organization in the world with 300,000 members in over 165 countries. SHRM's purpose is to elevate the HR profession, its mission is to empower people and the workplace by advancing HR practices and by maximizing human potential, and its vision is to build a world of work that works for all.

<sup>6</sup> SHRM HR Knowledge Center, *Managing for Employee Retention* (2020).

<sup>7</sup> Best practices include periodic Pulse Surveys and collecting, analyzing, and reporting retention data.

<sup>8</sup> FDIC Divisions with retirement rates over 15 percent include the Division of Resolutions and Receiverships, Division of Finance (DOF), Legal Division, DOA, Division of Information Technology, Division of Risk Management Supervision (RMS), Division of Complex Institution Supervision and Resolution, Division of Depositor and Consumer Protection (DCP), and Division of Insurance and Research.

<sup>9</sup> DOF renamed the Chief Financial Officer Organization.

<sup>10</sup> GAO Report, *High-Risk Series: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others* (GAO-17-317) (February 2017).

<sup>11</sup> GAO Report, *High-Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas* (GAO-19-157SP) (March 2019).

## **Retention and Allocation of Safety and Soundness Examination Staff**

In 2019, we initiated an evaluation of the FDIC's allocation and retention of its examination staff. Our objectives were to determine whether (1) the FDIC's activities for retaining safety and soundness examination staff and subject-matter experts (SME) were consistent with relevant Office of Inspector General (OIG)-identified criteria and (2) the FDIC's process for allocating examination staff and SMEs to safety and soundness examinations was consistent with relevant OIG-identified criteria.<sup>12</sup> During the course of the evaluation, we found that the FDIC's activities for retaining safety and soundness examination staff and SMEs and its process for allocating examination staff and SMEs were consistent with relevant criteria. Specifically, we found that in order to manage the retention of safety and soundness examination staff and SMEs, RMS internally developed its own mechanisms for collecting and analyzing retention data and initiating retention activities. RMS collects information about its examination workforce through a variety of data sources, such as dashboards and reports created from human capital data, to monitor staff retention and attrition, and surveys to identify examiner concerns. In addition, according to the Director of RMS, RMS held regular meetings to discuss retention and personnel issues (with Headquarters, Regional, and Field staff). RMS uses the information to understand the causes and reasons for examiner attrition. Based on this information, RMS initiated retention activities specifically for its safety and soundness examination staff.

During our evaluation, we also reviewed a sample of 30 RMS examinations, and we found that RMS has a risk-based approach for planning examinations of financial institutions. Our review of the Pre-Examination Planning Memorandums<sup>13</sup> for the sample found that RMS personnel<sup>14</sup> identified areas needing attention in Targeted Risk Areas. RMS personnel also properly identified the subject-matter expertise required to address the institutions' risks. Documentation<sup>15</sup> for the 30 sampled examinations demonstrated that RMS had assigned examiners and SMEs based on the areas identified as needing attention. Based on our evaluation, we found that retention activities for RMS's safety and soundness examination staff were consistent with appropriate practices in the area, and thus we concluded our evaluation.

## **CONCERNS ABOUT THE FDIC'S MANAGEMENT OF EMPLOYEE TALENT**

During the course of our evaluation, we identified certain concerns with the FDIC's employee talent management, and we provide this Memorandum to inform you of these concerns and offer recommendations for further action. According to the best practices in this area, the FDIC's retention management strategy, as part of its talent management strategy, should have clearly defined goals, a process for collecting and analyzing data, and a process for measuring the effectiveness of its activities.

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<sup>12</sup> Relevant OIG criteria included Agency goals; GAO *Standards for Internal Control in the Federal Government* (September 2014); and best management practices. According to the GAO, best management practices "refer to the processes, practices, and systems identified in public and private organizations that performed exceptionally well and are widely recognized as improving an organization's performance and efficiency in specific areas. Successfully identifying and applying best practices can reduce business expenses and improve organizational efficiency."

<sup>13</sup> The Pre-Examination Planning Memorandums (PEP Memos) document the examiners' initial review of the institution's perceived risks and the examination procedures that will be used to assess them.

<sup>14</sup> RMS personnel refers to Supervisory Examiners, Field Office Supervisors, Case Managers, and Examiners in Charge.

<sup>15</sup> Examination staffing documentation includes that found in the Corporate Human Resources Information System (CHRIS), Virtual Supervisory Information On the Net (ViSION), National Examination Scheduling System (NESS), and Structure Information Management System (SIMS).

Strong talent management strategies are important to weigh the importance of retaining human capital assets, while also ensuring that the Agency's staffing approaches do not hinder innovation, diversity, and productivity. As part of its talent management strategy, the FDIC should develop a retention management strategy based on retention and attrition needs across the Agency, recognizing that these needs change over time. This strategy should include clearly defined goals, collecting and analyzing relevant data, and ways to measure the effectiveness of its retention activities.

### **The FDIC Does Not Have Clearly Defined Goals to Manage Employee Retention**

The FDIC should improve its goals related to its management of retention across the Agency as part of its talent management strategy. The FDIC's goals should be clearly defined as provided by the GPRA Modernization Act of 2010,<sup>16</sup> which requires Federal agencies to develop outcome-oriented goals for their major functions and operations. According to the GPRA Modernization Act, goals should be expressed in an objective, quantifiable, and measurable form. A performance goal means 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.

Since 2018, the FDIC's Strategic Plan; Diversity and Inclusion Strategic Plan; and Performance Goals have all included references to retention, but the goals and strategies were not clearly defined. These goals and strategies were not clear as they did not describe the specific outcomes that the FDIC was trying to achieve. Further, it was unclear how progress for these goals could be measured.

For example, the FDIC's 2018-2019 Diversity and Inclusion Strategic Plan included a goal to "cultivate a culture that encourages collaboration, flexibility, and fairness to enable individuals to contribute to their full potential and to improve retention." One strategy supporting this goal was to "continue to develop succession management and career path opportunities to retain the FDIC's valued and diverse workforce." Further, one of the FDIC's 2019 Performance Goals was similar to this strategy: to "continue to develop succession and knowledge management and career path opportunities to retain and strengthen the FDIC's valued and diverse workforce."

Nevertheless, these goals and related strategies were not objective, quantifiable, nor measurable, as instructed by the GPRA Modernization Act. The goals and strategies lacked concrete actions, and there was no way to assess their progress. Specifically, it was not clear how the FDIC would know if it had "cultivated a culture that encourages collaboration, flexibility, and fairness" or whether it had "enable[d] individuals to contribute to their full potential and to improve retention." Similarly, it was not clear how the FDIC would measure its progress in developing "succession and knowledge management and career path opportunities" and the impact that these opportunities would have on retaining the FDIC's workforce.

On March 3, 2021, the FDIC issued a new Diversity, Equity, and Inclusion Strategic Plan, which included three strategies related to its management of retention:

1. Pilot an event designed to educate immediate family members of FDIC employees on the benefits and services available to support work-life balance and career management

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<sup>16</sup> Public Law No. 111-352 (2011) (amending the Government Performance and Results Act of 1993). The FDIC has determined that these statutes are applicable to the FDIC with certain exceptions, including where the statutes conflict with the Federal Deposit Insurance Act. The FDIC has not included specific human capital goals in its GPRA plans, but instead has included such goals in internal performance goals.

to help the family feel more connected and engaged with the FDIC and ultimately improve retention;

2. Reduce the average number of days for examiners' travel from the 2019 average using technology to improve retention; and
3. Enhance current assessment tools (e.g., exit surveys) to measure attrition, identify reasons for attrition, and address barriers to equal employment opportunities.

Nevertheless, the first and third strategies were not expressed as objective, quantifiable, measurable objectives, for which progress could be assessed.

### **The FDIC Does Not Have a Systematic Process for Collecting and Analyzing Employee Retention Data**

The FDIC does not have a process for collecting and analyzing the various types of data that can be used to assess employee retention across the Agency as part of its talent management strategy.<sup>17</sup> Specifically, the FDIC does not have a systematic process for DOA to holistically capture and analyze data, and to ensure that the information flows to the Divisions and Offices. Such a process would help the FDIC develop a coherent strategy for managing retention activities throughout the Agency, provide an Agency-wide view of the progression and movements of the FDIC workforce, and provide helpful insights on employees' decisions to stay or separate.

At present, each FDIC Division and Office may receive certain information about its own employees to assess retention specific to the Division or Office. Further, certain Divisions may analyze some, but not all, of the retention-related data. For instance, DOF analyzes staff retirement and budget information and OMWI analyzes diversity and inclusion information. However, there is not a consistent, systematic process for the Agency in how it handles and analyzes the data and information that can be used to identify areas of concern related to retention across the enterprise. As a result, there may be inefficiencies and gaps in coverage across the Divisions and Offices.

GAO Standards for Internal Control in the Federal Government (GAO Internal Control Standards) and reports, and SHRM support the collection and analysis of data and information to improve an agency's talent management, including the management of retention. GAO Internal Control Standards state that management should use quality information to achieve the entity's objectives. Specifically, management should obtain relevant data from reliable internal and external sources in a timely manner based on the identified information requirements.

In recent years, the GAO evaluated the recruiting, hiring, staffing, and retention programs at two Federal agencies.<sup>18</sup> In these reviews, the GAO acknowledged the importance of having a systematic process for capturing and analyzing information on employees who are leaving. The reports discussed the importance of agencies capturing the factors that may have influenced the

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<sup>17</sup> According to the GAO, data that can be collected to assess employee retention includes employee data regularly collected and maintained by the agency, such as location, compensation, race and ethnicity demographics as well as data specifically related to retention issues such as why employees departed, where they departed to, and their new compensation level. This data could explain which staff is leaving and why. The GAO also stated that Government agencies must have a holistic view of their workforce that tracks the progression and movements of employees. This view allows agencies to build and implement retention strategies to reduce attrition and keep the employees that are critical to achieving their mission.

<sup>18</sup> GAO Report, *U.S. CUSTOMS AND BORDER PROTECTION: Progress and Challenges in Recruiting, Hiring, and Retaining Law Enforcement Personnel* (GAO-18-487) (June 2018). GAO Report, *BUREAU OF PRISONS: Opportunities Exist to Better Analyze Staffing Data and Improve Employee Wellness Programs* (GAO-21-123) (February 2021).

employees' decisions to leave, such as office location, supervisor, compensation, working conditions, and where they were going to work next.

These reports recommended that the agencies capture and analyze a wide range of information. According to the GAO report on U.S. Customs and Border Protection (CBP), CBP did not have "a systematic process for capturing and analyzing information on [employees] who [were] leaving, such as an exit interview or survey." As a result, the GAO found "the agency did not have important information it could use to help inform future retention efforts." The GAO recommended that the agency "systematically collect and analyze data on departing [employees] and use this information to inform retention efforts."

Similarly, according to the GAO report on the Bureau of Prisons (BOP), BOP had not analyzed the multiple sources of data that it collected and maintained that provided feedback from staff on their jobs and reasons for leaving. The agency "has not analyzed this data specifically to identify the agency-wide causes or potential impacts of any reported staffing challenges." The GAO recommended that the agency develop and implement a plan for analyzing data to help identify and address the causes and potential impacts of staffing challenges on staff and inmates.

GAO's Director of Strategic Issues, who oversees the agency's oversight work on recruitment and retention at Federal agencies, emphasized the importance of understanding why employees remain at an organization. The Director further stated that collecting data at its most granular level is an important practice for understanding why employees leave their place of employment and why employees choose to remain, in order to examine workplace performance and make specific, targeted adjustments to make improvements.

According to SHRM, targeted retention strategies are based on data from several key sources.<sup>19</sup> This information can help an organization determine where problems exist and develop relevant and linked strategies to address the issues.

The FDIC collects information on employees' perception of the Agency through two surveys—an online exit survey to collect data from separating employees and the Federal Employee Viewpoint Survey (FEVS).

**Online Exit Survey.** Directive 2150.1, Pre-Exit Clearance for Employees, February 10, 2020, states that: "[p]rior to separating from the FDIC, employees . . . [c]omplete the confidential exit survey (recommended) provided by the Administrative Officer (AO), Regional Administrative Specialist (RAS), or designee."

The FDIC's online exit survey is comprised of 23 questions asking about an employee's decision to leave and the employee's experience working at the FDIC. OIG review of the survey showed that the data from the online survey is limited and does not capture certain demographic information.

Further, comments received from DOA officials stated that "[o]nline survey response rates are low," adding that "38 percent or 1,578 of 4,157 employees who departed between 2013 and 2019 completed the survey." This means that 62 percent of the employees who departed during this time did not complete a survey. We question whether these exit surveys are

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<sup>19</sup> Sources recommended by SHRM include organizational exit interviews, stay interviews, employee focus groups, predictive turnover studies, and other qualitative studies. Stay interviews are interviews between management and an employee that are designed to learn what keeps employees working for an organization and what aspects need improvement.

providing the FDIC with useful data and information needed to analyze retention across the Agency. Therefore, DOA should implement processes to collect and analyze relevant retention data and information, and routinely share such information with FDIC Divisions and Offices. As noted above, the FDIC's new Diversity, Equity, and Inclusion Strategic Plan includes a goal to enhance current assessment tools (e.g., exit surveys) to measure attrition, identify reasons for attrition, and address barriers to equal employment opportunities.

***Federal Employee Viewpoint Survey.*** The FDIC also uses the FEVS to collect information regarding why employees continue working at the FDIC. FDIC Divisions and Offices receive specific FEVS results related to their staff and summaries of the responses to assess employee needs and make changes to the organization.

In addition to the online exit survey and the FEVS, DOA should explore other sources of available data that could be used to analyze and report retention data to the Divisions and Offices. For example, data is available from the Corporate Human Resources Information System (CHRIS), such as position title, supervisor assignment, and length of service, which would provide descriptive information on employees departing from the FDIC. This information could be helpful, for example, to identify if there was a particular position title with a higher rate of attrition, if there was a particular supervisor causing a higher rate of attrition, or if individuals were leaving after short or long periods of employment with the FDIC. Based on these analyses, targeted retention activities could be established.

Data is also available from the Division of Finance, such as staffing and budget information, including employee office locations and compensation amounts, which would identify the current location and pay of departing employees. This information could be helpful, for example, to identify if office location and compensation correlated to employee attrition.

Information is also available from the Office of Minority and Women Inclusion, such as demographic and disability information, which would help analyze the retention and attrition of employees with different demographics and disabilities. Additional information may also be available from Corporate University related to employee training and the Internal Ombudsman regarding employee complaints to determine if training or complaints have any correlation to employee attrition.

Given that these additional sources of information are already captured within FDIC systems, the Agency has an opportunity to fully analyze factors that influence employees' decisions to stay or separate from the Agency. This information could be provided to the Divisions and Offices and viewed Agency-wide, so that the FDIC could develop strategies to manage retention activities, which change over time. Without such information, the FDIC Divisions and Offices cannot fully understand the scope of factors that influenced employees' decisions to stay or separate from the FDIC. As a result, the FDIC may not develop appropriate retention activities or strategies to address these factors.

The FDIC's former Chief Human Capital Officer (CHCO) stated that, as part of talent management, the FDIC would work on determining how to measure the effect of its retention activities and acknowledged the need for appropriate measures of effectiveness.

## **The FDIC Should Measure the Effectiveness of Its Employee Retention Activities**

The GPRA Modernization Act of 2010 states that performance measurement is the ongoing monitoring and reporting of program accomplishments, particularly progress towards pre-established goals. As discussed above, the GPRA Modernization Act requires agencies to develop a strategic plan, including outcome-oriented goals for the major functions and operations of the agency. The GPRA Modernization Act also requires agencies to prepare a performance plan, including a balanced set of performance indicators to be used in measuring or assessing progress towards each performance goal, including as appropriate, customer service, efficiency, output, and outcome indicators.<sup>20</sup>

According to OPM, evaluating outcomes of human capital management strategies, policies, programs, and activities is critical, as agencies need to identify, implement, and monitor process improvements as well as measure the success of their strategic plans and human capital management. OPM further states that “[a]gencies must identify measurable ways to show how programs can reduce current and future labor costs, while improving mission and service delivery.”<sup>21</sup>

In addition, the Director of OPM provides Government-wide leadership and direction in the strategic management of the Federal workforce. OPM established a Human Capital Framework that details the concepts and systems for planning, implementing, and evaluating the results of human capital management policies and practices.<sup>22</sup> The Framework supports the use of human capital outcome metrics to provide a basis for assessing progress and results for each human capital goal or objective, such as retention goals. This Framework represents a best management practice for assessing results towards human capital goals.

Further, according to GAO Internal Control Standards, monitoring performance is one of the five components of internal control. Monitoring performance helps ensure that an organization achieves its objectives, including those that relate to program operations, and addresses related risks. GAO’s Internal Control Standards also states that management should use ongoing monitoring, separate evaluations, or a combination of the two to obtain reasonable assurance of the operating effectiveness of the organization’s internal controls over the assigned process. Evaluating the effectiveness of agency program operations can improve organizational efficiency through streamlining program operations and reducing costs and redundancies.

The FDIC has not established metrics or indicators to measure the effectiveness of its retention activities or actions. Instead, the FDIC tracks its “inputs” – that is, the implementation status of the activities or actions designed to meet its employee retention goals. The FDIC does not currently measure whether its activities are achieving their desired outcomes or results. Thus, the FDIC cannot determine whether or not its retention activities are working effectively.

## Recommendations

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<sup>20</sup> The FDIC has not included specific human capital goals in its GPRA plans, but instead has included such goals in internal performance goals.

<sup>21</sup> OPM Evaluation Guide, *Evidence-Based Strategies to Capture the Benefits and Costs of Work-Life Programs* (July 2019).

<sup>22</sup> OPM web site, *The Structure of the Human Capital Framework* (undated).

We recommend that the Deputy to the Chairman, Chief Operating Officer, and Chief of Staff:

1. Develop and implement defined, objective, quantifiable, and measurable goals related to retention management at the FDIC.
2. Develop and implement a process to collect and analyze the relevant data regarding employee retention across the FDIC and provide the data and analyses to Divisions and Offices.
3. Develop metrics and indicators to assess the effectiveness of the FDIC's employee retention activities and to determine if the FDIC's retention activities are achieving their desired results and outcomes.

### **FDIC COMMENTS AND OIG EVALUATION**

On August 20, 2021, the FDIC's Deputy to the Chairman, Chief of Staff, and Chief Operating Officer provided a written response to a draft of this memorandum, which is presented in its entirety in [Appendix 1](#).

In its response, the FDIC stated that it concurs with the OIG's recommendations to further enhance existing processes and to complement and strengthen ongoing activities to ensure the FDIC remains focused and effective in managing and retaining talent. The FDIC plans to complete all corrective actions by June 30, 2022, as detailed in [Appendix 2](#).

However, the FDIC's planned corrective action for Recommendation 2 is limited to data obtained from the new employee exit survey. The planned corrective action did not meet OIG expectations for a process that would use multiple data sources to thoroughly analyze and understand employee retention. As such, Recommendation 2 remains unresolved. The OIG will work with the FDIC to resolve this recommendation.

In its response, the FDIC asserted that after completing fieldwork on our initial scope, the OIG expanded its assessment to Agency-wide retention management efforts and identified potential areas for improvement. This is an incorrect assertion. As noted in our memorandum, during the course of our evaluation, we identified concerns regarding the FDIC's talent management, specifically related to its retention management strategy. The initial scope of our evaluation covered the roles and responsibilities of many FDIC Divisions and Offices related to the FDIC's allocation and retention of its examination staff. Therefore, we identified the concerns included in our memorandum when we were evaluating the roles and responsibilities of the different Divisions and Offices in the allocation and retention processes, not after completing fieldwork on our initial scope as asserted by the FDIC.

**MEMO**

**TO:** Terry L. Gibson  
Assistant Inspector General for Audits, Evaluations, and Cyber

**FROM:** Brandon Milhorn   Digitally signed by BRANDON MILHORN  
Date: 2021.08.20 14:20:53 -0400  
Deputy to the Chairman, Chief Operating Officer, and Chief of Staff

**CC:** Doreen R. Eberley  
Director, Division of Risk Management Supervision

E. Marshall Gentry  
Director, Office of Risk Management and Internal Controls, and Chief Risk Officer

**DATE:** August 20, 2021

**RE:** Management Response to the OIG Draft Memorandum, *The FDIC's Management of Employee Talent* (21-00X)

The FDIC appreciates the opportunity to respond to the Office of Inspector General's (OIG) draft memorandum titled, *The FDIC's Management of Employee Talent*, issued on July 30, 2021. The OIG initially focused this review on the FDIC's retention and allocation of safety and soundness examination staff and subject matter experts. The OIG found that the FDIC was performing those activities consistent with relevant criteria.

After completing field work on its initial scope, the OIG expanded its assessment to corporate-wide retention management efforts and identified potential areas for improvement, including retention-specific data collection and analysis and the development of quantifiable retention objectives and metrics.

Across the corporation, the FDIC conducts a number of talent management activities, including those aimed at retention, that are aligned with government-wide best practices. From annual workforce management activities associated with the budget process and operational reviews to Office of Minority and Women Inclusion (OMWI) barrier analyses and external reporting, senior FDIC leadership regularly utilize data to actively manage the recruitment, hiring, diversity, retention, and attrition of the FDIC workforce. Divisions and offices work collaboratively with the Human Resources Branch and the Division of Finance (DOF) to understand skills gaps and address succession management challenges. Consistent with these efforts, the FDIC concurs with the OIG's recommendations to further enhance our existing processes.



## Overview of the FDIC's Talent Management Activities

DOF routinely performs annual employee retirement and separation analyses. The 2020 separation analysis indicated that 69 percent of non-examiner attrition is related to retirement, a finding that has been consistent over the years. In conjunction with that analysis, the FDIC updates annually a 10-year projection of retirement probability by division/office, grade band, and major occupations and considers steps to address the areas of highest retirement risk during its annual planning and budget process.

Within that context, the FDIC has taken numerous steps to mitigate operational risks associated with retirements, including targeted over-hiring, the use of voluntary separation and early retirement incentives, and improved training to support succession management. The FDIC has also used tools to manage retention, hiring, and training to address skills gaps, promote diversity, and develop new talent pipelines, and implemented succession planning strategies to meet current and future mission requirements.

Successful talent and retention management strategies focus on the entire employment cycle, including recruitment, onboarding, training and development, inclusion, performance management, pay and benefits, and professional development opportunities. In that regard, the Office of Personnel Management's (OPM) guidance on retention management identifies the following "strong retention strategies":

- Designing job announcements that attract the best candidates
- Developing effective employee orientation programs
- Building a culture of high performance
- Designing career development plans
- Developing effective mentoring programs
- Implementing coaching programs
- Designing easy to use performance management systems
- Analyzing factors that impact turnover
- Identifying management and supervisory best practices for retaining great employees

The FDIC has established successful programs in each of these areas. These include several initiatives over the last few years to further promote diversity, reward employee performance, and support accountability.<sup>1</sup>

<sup>1</sup> Recent efforts include implementation of initiatives focused on enhancing career development, cultivating a culture of excellence, and providing education and training opportunities to improve diversity and inclusion within the FDIC workforce (August 2020); new performance management programs for employees and leadership (March 2020 and August 2020, respectively), and enhanced onboarding (August 2021). The FDIC has also ranked among the Best Places to Work in the Federal Government for the past ten years (July 2021).



Based on annual retirement and workforce analyses and to promote diversity, the FDIC has actively engaged in developing, implementing, and assessing corporate-wide succession management and employee development initiatives to promote a strong talent pipeline capable of addressing the FDIC's current and future mission needs. The most recent of these initiatives include:

- Expanding the availability of Expressions of Interest (EOIs);
- Implementing a Special Assistant rotational program;
- Improving leadership development programs; and
- Expanding the availability of career development projects (such as integrated project teams under TEAM FDIC).

The FDIC expects these programs and efforts to better equip employees with the knowledge, skills, and experience to meet the needs and challenges the FDIC will face in future years, including an emphasis on gaining executive and managerial experience.

#### **Strategic Workforce Planning**

Strategic workforce planning is an integral part of the FDIC's annual planning and budget formulation process, and human capital issues are a major focus of senior management discussions and guidance issued at the outset of that process.

The FDIC consistently provides resources for specific strategic human capital initiatives during its annual planning and budget cycle and establishes FDIC Performance Goals (FPGs) to monitor the completion of those initiatives. These goals have focused on active succession planning and management, rather than simply retention, and included annual performance indicators and milestones.<sup>2</sup> The FDIC tracks progress on these FPGs on a quarterly basis, and reviews progress toward these goals and other workforce related metrics at bi-monthly operations reviews and other relevant meetings with senior management.

<sup>2</sup> For example, one of the 2019 FPGs was to, "continue to develop succession and knowledge management and career path opportunities to retain and strengthen the FDIC's valued and diverse workforce," which included 10 milestones related to establishing a baseline set of succession management metrics and completing a baseline analysis of historical career paths. The 2021 FPGs also included a new corporate diversity and inclusion goal, along with several specific milestones designed to address diversity, retention, career development, and succession management goals.



## Data Analysis and Reporting

In addition to the robust safety and soundness examination staff data sources identified in the OIG's draft memorandum, divisions and offices are regularly provided retirement analyses and projections to obtain approval for targeted over-hiring and other human capital initiatives, including several analyses and reporting mechanisms outlined below:

- **Retirement Analyses:** DOF prepares an annual FDIC Retirement Analysis that uses the actual retirement behavior of FDIC employees to project probable retirements for every division and office over a rolling 10-year planning horizon. The focus is on retirement probability rather than retirement eligibility, because retirement eligibility is known to overstate the potential impact of retirements on the workforce. Retirements are projected for key grade bands, with examiner and attorney occupations broken out separately.
- **Separation Analyses:** DOF prepares an annual separation analysis that highlights separations by type for both examiners and non-examiner staff across the corporation by division and office, average age at separation, and tenure.
- **Diversity and Inclusion Dashboard:** OMWI produces an analytics dashboard that includes attrition-related information by aggregate demographics, reporting structure, and reason for separation (retirement, voluntary, involuntary). The dashboard also includes information regarding hiring and promotion. OMWI compares FDIC workforce data with Civilian Labor Force data. The dashboard is available to division and office directors and other senior leaders, and is updated on a quarterly basis.
- **External Reporting:** OMWI produces annual reports, including the [Section 342, Dodd-Frank Wall Street Reform and Consumer Protection Act Annual Report](#) to Congress and [Annual Equal Employment Opportunity \(EEO\) Program Status Report \(MD-715\)](#) to the Equal Employment Opportunity Commission. The Section 342 Annual Report includes information regarding contracting with qualified minority- and women-owned businesses and hiring qualified minority and women employees. The MD-715 report highlights activities undertaken in the FDIC EEO program under Title VII and its affirmative action obligations under the Rehabilitation Act. This includes an agency self-assessment where action plans are developed to address identified deficiencies.



## Management Response to the Recommendations

The FDIC continuously strives to improve its programs and provide the support needed by divisions and offices to carry out its mission, goals, and objectives, whether it be through programs, processes, or data. We believe the actions we will take in response to the recommendations below will complement and strengthen our ongoing activities to ensure that the FDIC remains focused and effective in managing and retaining talent.

**Recommendation 1:** Develop and implement defined, objective, quantifiable, and measurable goals related to retention management at the FDIC.

Management Decision: Concur

Planned Action: The FDIC will establish a temporary, cross-divisional Strategic Workforce Management Working Group to develop defined, objective, quantifiable, and measurable goals related to strategic workforce management at the FDIC, including, as necessary, goals regarding retention. Efforts will include corporate-wide and division and office specific metrics, including by aggregate demographics and reporting structure (e.g., headquarters, regions, and mission-critical occupations).

Estimated Completion Date: March 31, 2022

**Recommendation 2:** Develop and implement a process to collect and analyze the relevant data regarding employee retention across the FDIC and provide the data and analyses to divisions and offices.

Management Decision: Concur

Planned Action: In addition to the data and reporting initiatives described above, the FDIC will implement a new employee exit survey in partnership with Human Resources Solutions of OPM. The exit survey will be developed and administered by OPM with the ability to design custom diagnostic items to address FDIC-specific challenges or trends. As with Federal Employee Viewpoint Survey results, interactive reports will be available for senior management. This exit survey solution will enhance the quality and availability of the FDIC's attrition data.

Estimated Completion Date: March 31, 2022

**Recommendation 3:** Develop metrics and indicators to assess the effectiveness of the FDIC's employee retention activities and to determine if the FDIC's retention activities are achieving their desired results and outcomes.

Management Decision: Concur

Planned Action: As a result of identified corrective actions to Recommendations 1 and 2, the FDIC will begin reporting agency-wide results of strategic workforce management metrics and quarterly exit survey data to division and office directors. These initial reports will be used to establish an appropriate baseline, and will provide the FDIC and division and office directors with enhanced data and analyses to implement appropriate workforce management strategies as needs change over time.

Estimated Completion Date: June 30, 2022

This table presents management's response to the recommendations in the report and the status of the recommendations as of the date of report issuance.

Rec. No.	Corrective Action: Taken or Planned	Expected Completion Date	Monetary Benefits	Resolved: <sup>a</sup> Yes or No	Open or Closed <sup>b</sup>
1	Planned Action: The FDIC will establish a temporary, cross-divisional Strategic Workforce Management Working Group to develop defined, objective, quantifiable, and measurable goals related to strategic workforce management at the FDIC, including, as necessary, goals regarding retention. Efforts will include corporate-wide and division and office specific metrics, including by aggregate demographics and reporting structure (e.g., headquarters, regions, and mission-critical occupations).	March 31, 2022	\$0	Yes	Open
2	Planned Action: In addition to the data and reporting initiatives described above, the FDIC will implement a new employee exit survey in partnership with Human Resources Solutions of OPM. The exit survey will be developed and administered by OPM with the ability to design custom diagnostic items to address FDIC-specific challenges or trends. As with Federal Employee Viewpoint Survey results, interactive reports will be available for senior management. This exit survey solution will enhance the quality and availability of the FDIC's attrition data.	March 31, 2022	\$0	No	Open
3	Planned Action: As a result of identified corrective actions to Recommendations 1 and 2, the FDIC will begin reporting agency-wide results of strategic workforce management metrics and quarterly exit survey data to division and office directors. These initial reports will be used to establish an appropriate baseline, and will provide the FDIC and division and office directors with enhanced data and analyses to implement appropriate workforce management strategies as needs change over time.	June 30, 2022	\$0	Yes	Open

<sup>a</sup> Recommendations are resolved when —

1. Management concurs with the recommendation, and the planned, ongoing, and completed corrective action is consistent with the recommendation.
2. Management does not concur with the recommendation, but alternative action meets the intent of the recommendation.
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.

<sup>b</sup> Recommendations will be closed when the OIG confirms that corrective actions have been completed and are responsive.



Federal Deposit Insurance Corporation  
Office of Inspector General

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3501 Fairfax Drive  
Room VS-E-9068  
Arlington, VA 22226

(703) 562-2035

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To report allegations of waste, fraud, abuse, or misconduct regarding FDIC programs, employees, contractors, or contracts, please contact us via our [Hotline](#) or call 1-800-964-FDIC.

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