

Federal Housing Finance Agency
Office of Inspector General



Women and Minorities in FHFA's Workforce

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At A Glance

January 13,
2015

Women and Minorities in FHFA's Workforce

Why OIG Did This Report

On March 24, 2014, nine members of the U.S. House of Representatives asked the Inspectors General at seven financial regulators, including the Federal Housing Finance Agency (FHFA or Agency), to conduct a review of diversity and related workplace issues at their agencies.

What OIG Found

- **Human Resource Data Limitations:** Deficiencies in FHFA's human resources data systems limited OIG's ability to perform certain analyses of diversity and workforce issues. Where FHFA's human resources data systems provided sufficient data, OIG analyzed that data and reached conclusions.
- **Representation of Minorities and Women in the Workforce:** According to FHFA data, the percentage of minorities and women in senior positions at the Agency increased from 2011 to 2013. Promotions of minorities at the senior level increased from 2011 to 2013. At mid-level positions during this timeframe, FHFA data showed that the percentage of women increased and that the percentage of minorities remained generally unchanged.
- **Employee Satisfaction Survey Results:** FHFA participates in the annual Federal Employee Viewpoint Survey (FEVS) administered by the U.S. Office of Personnel Management (OPM). Among other things, the survey asks for employees' views on diversity and associated workplace issues. The Agency's survey results in these categories generally improved between 2011 and 2013.
- **Performance Ratings:** Our review found that, in most cases, there were no statistically significant differences—those that are not likely due to error or chance—in performance ratings based on race or gender. However, FHFA data showed statistically significant differences in mid-level employee performance ratings: performance ratings favored White employees over Asian employees in 2011 and 2012, and favored female over male employees in 2012 and 2013.
- **Bonuses:** There were no statistically significant differences in the bonuses and other monetary awards given to mid-level employees in 2011 through 2013. However, FHFA data showed statistically significant differences in the bonuses and other monetary awards given



At A Glance

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2015

to certain senior level employees that favored White employees over minority employees in 2013 but not in 2011 or 2012.

- **OMWI's Role within FHFA:** The Office of Minority and Women Inclusion (OMWI) has submitted annual reports to Congress on its diversity efforts, conducted diversity training, and initiated a number of other efforts to increase diversity. However, FHFA has not acted on some of OMWI's proposals concerning diversity and workforce issues.

What OIG Recommends

We recommend that FHFA:

1. Test the new human resource system to ensure that it will provide data sufficient to enable the Agency to perform comprehensive analyses of workforce issues.
2. Regularly analyze Agency workforce data and assess trends in hiring, awards, and promotions.
3. Adopt a diversity and inclusion strategic plan.
4. Research opportunities to partner with inner-city and other high schools, where feasible, to ensure compliance with the Housing and Economic Recovery Act.

FHFA agreed with OIG's recommendations and identified specific actions to address them. FHFA expects implementation of its new Human Resource Information System (HRIS) to be complete by September 2015. OMWI and the Office of Human Resources Management (OHRM) will work together to analyze FHFA's workforce data once the implementation of the new HRIS is completed. FHFA will adopt a diversity and inclusion strategic plan by September 30, 2015. Also, OMWI and OHRM will meet to explore partnering with inner-city and other high schools during 2015.

TABLE OF CONTENTS

AT A GLANCE	2
ABBREVIATIONS	6
PREFACE	7
CONTEXT AND ANALYSIS	8
ANALYSIS OF FHFA’S DIVERSITY AND WORKFORCE DATA.....	9
1. Data Limitations.....	9
2. Representation of Minorities in Senior Level Positions and Women in Senior and Mid-Level Positions Has Increased, Although Representation of Minorities in Mid-Level Positions Remained Relatively Static	10
3. Promotions of Minorities at the Senior Level Increased from 2011-2013	12
4. Analysis of FHFA Data Found No Statistically Significant Disparities in Performance Ratings Among Senior Level Employees, but Found Some Statistically Significant Disparities Among Mid-Level Employees and Within the FHFA Employee Workforce	12
5. Some Statistically Significant Differences Were Found in Bonus Awards for EL-15 Employees but No Statistically Significant Disparities Were Found in Bonus Awards for Mid-Level Employees	13
6. FHFA Employees’ Responses to Survey Questions on Diversity and Associated Workplace Issues	14
7. Review of FHFA’s Employee Complaint Process and Hiring Practices.....	15
A. Complaint Process.....	15
B. Hiring Practices	16
OMWI’S ROLES AND RESPONSIBILITIES FOR DIVERSITY-RELATED MATTERS WITHIN FHFA	17
CONCLUSIONS.....	20
RECOMMENDATIONS.....	21
OBJECTIVES, SCOPE, AND METHODOLOGY	22
Objectives	22

Scope.....	22
General Methodology	22
APPENDIX A.....	24
FHFA’s Comments on FHFA-OIG’s Findings and Recommendations.....	24
APPENDIX B.....	26
Letter from Nine Members of the House of Representatives	26
APPENDIX C.....	28
Representation of Minorities and Women at FHFA at the EL-12 Pay Level and Below	28
Race/Ethnicity Composition of Employees at FHFA.....	28
Gender Composition of Employees at FHFA.....	28
APPENDIX D.....	29
Promotions.....	29
APPENDIX E.....	30
Performance Ratings.....	30
APPENDIX F.....	32
FHFA Employee Complaint Processes	32
OMWI.....	32
OIG Hotline Referrals.....	34
Office of Human Resources Management.....	34
Internal Ombudsman.....	34
APPENDIX G.....	35
Hiring.....	35
Expression of Interest Notices.....	36
ADDITIONAL INFORMATION AND COPIES	37

ABBREVIATIONS

Dodd-Frank	Dodd-Frank Wall Street Reform and Consumer Protection Act
EEO	Equal Employment Opportunity
Fannie Mae	Federal National Mortgage Association
FEVS	Federal Employee Viewpoint Survey
FHFA or Agency	Federal Housing Finance Agency
FHLBank	Federal Home Loan Bank
Freddie Mac	Federal Home Loan Mortgage Corporation
GAO	Government Accountability Office
HERA	Housing and Economic Recovery Act of 2008
OIG	Federal Housing Finance Agency Office of Inspector General
OHRM	Office of Human Resources Management
OMWI	Federal Housing Finance Agency, Office of Minority and Women Inclusion
OPM	U.S. Office of Personnel Management
PEMS	Performance Evaluation Management System

PREFACE.....

The purpose of this evaluation was to (1) determine if any personnel practices have systematically prevented minorities and women from obtaining senior management positions at the Agency, (2) determine if any personnel practices have created a discriminatory workplace for minorities and women, and (3) assess OMWI's operations.

This evaluation was led by Adrienne Freeman, Investigative Counsel, assisted by Nicole Mathers, Program Analyst, Brian Stief, Investigative Counsel, and Omolola Anderson, Statistician. We appreciate the cooperation of FHFA staff, as well as the assistance of all those who contributed to the preparation of this report. We would also like to recognize the contributions from OIG's Office of Administration, who provided assistance during the course of this evaluation.

This report has been distributed to Congress, the Office of Management and Budget, and others and will be posted on FHFA-OIG's website, www.fhfaoig.gov.



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Office of Evaluations

CONTEXT AND ANALYSIS

On March 24, 2014, nine members of the House of Representatives asked that we assess certain aspects of FHFA’s internal operations.¹ The Members referred to a GAO report entitled *Diversity Management: Trends and Practices in the Financial Services Industry and Agencies after the Recent Financial Crisis*.² GAO’s report highlighted trends in the representation of minorities and women in senior management positions in the financial services industry and at federal financial regulators.³ Specifically, GAO found that representation of minorities and women in 2011 ranged from 11% to 24% and 31% to 47%, respectively, among the federal financial regulators. GAO also noted that during 2010 and 2011 FHFA generally had a higher percentage of minorities and women in senior management positions than other financial regulators.⁴

The Housing and Economic Recovery Act of 2008 (HERA) established FHFA as the safety, soundness, and housing mission regulator of the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Federal Home Loan Bank (FHLBank) System.⁵ FHFA is a small agency compared to other federal financial regulators.⁶

¹ The letter by which this request was made is contained in Appendix B.

² Government Accountability Office, *Diversity Management: Trends and Practices in the Financial Services Industry and Agencies after the Recent Financial Crisis* (April 2013) (GAO-13-238) (online at: www.gao.gov/assets/660/653814.pdf).

³ OPM defines diversity “as a collection of individual attributes that together help agencies pursue organizational objectives efficiently and effectively. These include, but are not limited to, characteristics such as national origin, language, race, color, disability, ethnicity, gender, age, religion, sexual orientation, gender identity, socioeconomic status, veteran status, and family structures.” OPM, *Government-Wide Diversity and Inclusion Strategic Plan 2011* (online at: www.opm.gov/policy-data-oversight/diversity-and-inclusion/reports/governmentwidedistrategicplan.pdf).

⁴ These financial regulators are the Federal Deposit Insurance Corporation (FDIC), the Board of Governors of the Federal Reserve System (Federal Reserve), the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), the U.S. Securities and Exchange Commission (SEC), and the Consumer Financial Protection Bureau (CFPB).

⁵ Housing and Economic Recovery Act of 2008, Pub. L. No. 110-289 § 1101, 122 Stat. 2654, 2661 (2008).

⁶ Although the Agency is the conservator of Fannie Mae and Freddie Mac, our analysis was limited to FHFA’s employees. FHFA has fewer than 600 employees. The number of employees in certain categories (for example, senior level and mid-level) is relatively small, and the size of demographic subgroups within these categories is even smaller. Thus, a small change to the number of employees in such a subcategory substantially affects the results of any statistical analysis. For example, in the case of senior level employees, the promotion of one Hispanic employee in the category of senior level employees represented 7.7% of the promotions in that subcategory in 2013. Had another Hispanic senior level employee been promoted in 2013, the Hispanic component of senior level promotions would increase to 15.4%.

In this report, we present our analysis of workforce and diversity data available from FHFA for the period of 2011-2013 and an assessment of OMWI's operations. The report is divided into two parts. In part one, we provide an update on the representation of minorities and women in senior and mid-level positions at FHFA since GAO's report.⁷ Part one also addresses promotions, performance ratings, bonuses, and employee responses to survey questions on diversity and workplace issues at FHFA. The second part of the report discusses OMWI's roles and responsibilities.

ANALYSIS OF FHFA'S DIVERSITY AND WORKFORCE DATA

1. Data Limitations

In the course of this evaluation we found that the Agency did not have an adequate human resources data collection system with which to provide detailed information necessary to conduct certain analyses.⁸ The Agency produced multiple spreadsheets of data that were replete with missing, incorrect, or inconsistent information. For example, the Agency's first data production of performance appraisal data contained a significant amount of missing information—such as race, ethnicity,⁹ gender, and pay level—as well as erroneous information. In the data originally produced by the Agency, the then-Acting Director of the Agency was characterized as both a Caucasian male, which he is, and an African American female, which he is not. FHFA officials told us that some of the data elements had to be entered into the spreadsheet manually because the relevant information is not maintained within a single database.

To the extent possible, we compensated for these data limitations by compiling the various batches of data FHFA provided, deleting duplicate entries, merging and formatting the disparate spreadsheets, and reconciling missing data against other FHFA submissions to fill in most of the data gaps in order to produce the aggregate summaries in this report. The Agency also submitted revised data productions that addressed almost all of the obvious errors in the performance ratings data. This revised data was used to conduct the performance ratings analysis discussed later in this report.

⁷ FHFA uses two pay scales, LL and EL. Members of FHFA senior staff are those employees at the LL-1 and EL-15 pay levels. Mid-level employees are those at the EL-14 and EL-13 pay levels. FHFA employees at the EL-12 pay level and below are referred to in this report as "other employees."

⁸ Section 1101 of HERA created FHFA as the successor agency to the Office of Federal Housing Enterprise Oversight and the Federal Housing Finance Board. FHFA's personnel files contain information gathered by its two predecessor agencies.

⁹ Providing race and ethnicity information is voluntary on the part of FHFA employees.

In some instances, limitations in the data prevented a more detailed analysis into relevant issues. For example, we could not verify that we had accurate information on designated rating officials for performance ratings, so we could not analyze the effect of a rating official's race or gender on the average rating of the employees who reported to the official. Likewise, on two separate occasions FHFA provided inconsistent information on, among other things, gender with respect to promotions. The inconsistencies in the data precluded any analysis of promotions by gender for each pay category. Data compilations provided by FHFA regarding attrition also were missing numerous entries for race and gender. The Agency's responses to follow-up information requests showed that its data were not maintained consistently and in an analysis-ready format.

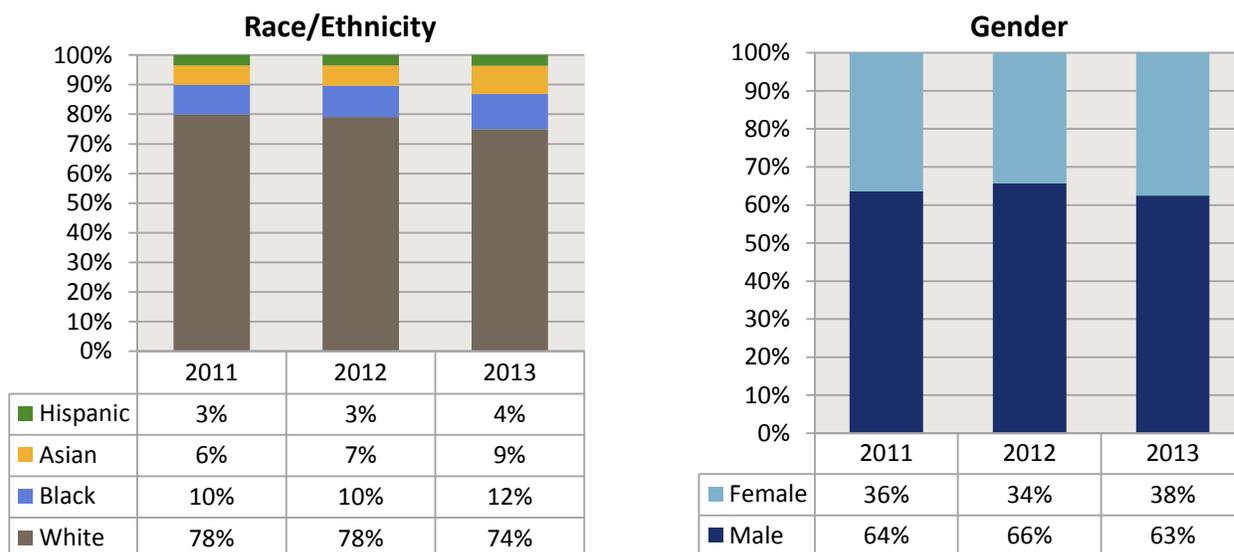
In 2011, OMWI identified the need for FHFA to update its human resource data collection systems.¹⁰ The office found that the databases made it difficult to conduct detailed analyses for reporting purposes. Similar data problems still exist that inhibit the Agency's ability to provide reliable data to perform in-depth analyses of workforce diversity. FHFA is in the process of transitioning to a new data system that Agency officials said will improve the quality of the data and produce better reports.

2. Representation of Minorities in Senior Level Positions and Women in Senior and Mid-Level Positions Has Increased, Although Representation of Minorities in Mid-Level Positions Remained Relatively Static

We examined available FHFA data from 2011 to 2013 and found increases in the representation of minority—specifically, African American, Hispanic, and Asian—and female employees serving at the senior level (EL-15 and LL-1). Minority employees at the senior level increased from 19 to 25% and female senior employees increased from 36 to 38%. See Figure 1 below.

¹⁰ According to the former director of the Office of Human Resources Management, the Agency began an effort to upgrade its human resource data system in 2013.

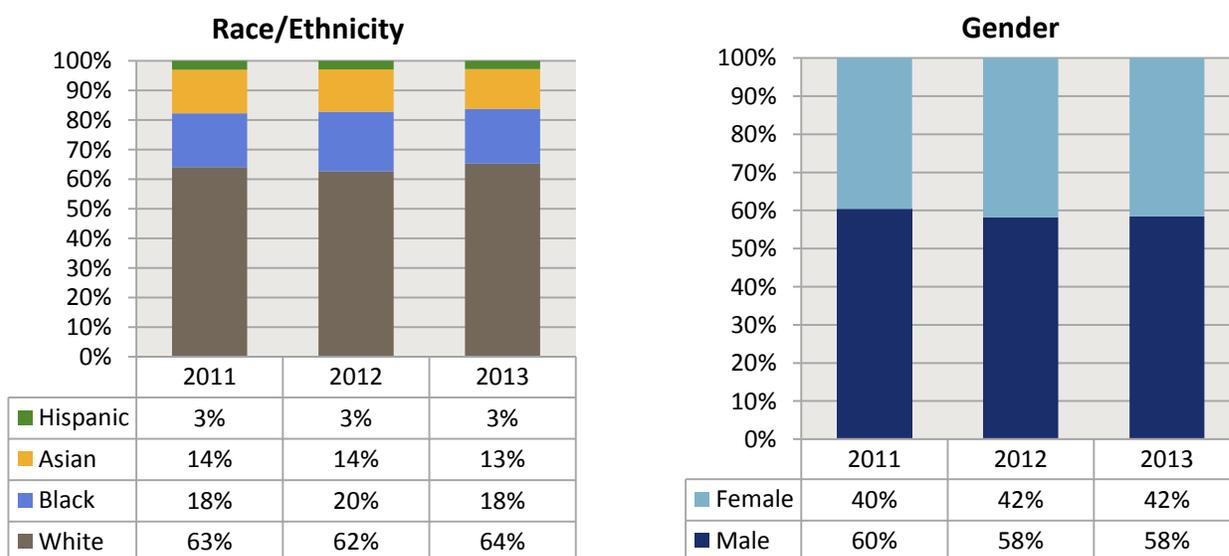
FIGURE 1. FHFA RACE/ETHNICITY AND GENDER REPRESENTATION – SENIOR LEVEL EMPLOYEES



Source: OIG aggregation of FHFA data. Numbers may not add up to 100% due to rounding.

The representation of women among mid-level employees (EL-13 and EL-14) increased from 40% in 2011 to 42% in 2013. Minority representation among mid-level employees remained relatively static over the period 2011-2013. See Figure 2 below. An analysis of the representation of minorities and women at the EL-12 pay level and below shows that the representation of minorities remained relatively static over the period 2011-2013, but the representation of women decreased from 62% to 58% during that time. See Figures 6 and 7 in Appendix C.

FIGURE 2. FHFA RACE/ETHNICITY AND GENDER REPRESENTATION – MID-LEVEL EMPLOYEES



Source: OIG aggregation of FHFA data. Numbers may not add up to 100% due to rounding.

3. Promotions of Minorities at the Senior Level Increased from 2011-2013

In the same time period, FHFA’s data for senior level employees show an increase in the promotions of minorities. To be sure, the number of senior level promotions in each of these years is small.¹¹ However, in 2013 more than 38% of the 13 promotions in senior level positions were awarded to minorities. See Figure 3.

Promotion data for all FHFA staff are attached as Appendix D, which also reflects an increase in promotions of minorities.

FIGURE 3. 2011-2013 PROMOTIONS BY RACE AND ETHNICITY FOR SENIOR LEVEL STAFF

	2011	2012	2013
White	11	6	7
Black or African American	4	1	1
Asian	0	0	3
Hispanic/Latino	0	0	1
Unspecified	3	2	1
Total	18	9	13

4. Analysis of FHFA Data Found No Statistically Significant Disparities in Performance Ratings Among Senior Level Employees, but Found Some Statistically Significant Disparities Among Mid-Level Employees and Within the FHFA Employee Workforce

FHFA uses the Performance Evaluation Management System (PEMS) for its annual performance review of employees and managers. PEMS measures performance elements with five possible rating categories, ranging from “outstanding” to “unacceptable”. A contractor retained by the FDIC OIG analyzed FHFA’s PEMS ratings results for 2011 to 2013 and did not identify any statistically significant differences in performance ratings among senior level officials based on race, ethnicity, or gender.¹² The contractor’s analysis found two statistically significant differences for mid-level employees: performance ratings favored White employees over Asian employees in 2011 and 2012, and favored female over male employees in 2012 and 2013. There were no statistically significant differences in performance ratings between mid-level White and Hispanic or African American employees. The analysis of performance ratings for all FHFA employees found a statistically significant

Statistical Significance refers to the probability that results are not caused by error or manipulation. It also indicates that the observed difference is probably not due to chance.

¹¹ See *supra* note 6.

¹² Performance rating analyses were performed by DCI Consulting Group. All other analyses were performed by FHFA-OIG.

difference that favored White employees over African American employees in 2011 and 2012, but not in 2013.¹³ Details of this analysis are set forth in Appendix E. We cannot conclude, based solely on these statistically significant differences, that the differences found in the performance ratings analysis were the result of discrimination or other unfair employment practices.¹⁴

5. Some Statistically Significant Differences Were Found in Bonus Awards for EL-15 Employees but No Statistically Significant Disparities Were Found in Bonus Awards for Mid-Level Employees

Under FHFA's performance-based compensation system, annual performance bonuses are calculated as a percentage of an employee's salary. Non-cash awards, such as additional hours of annual leave and on-the-spot cash awards, can be made at a supervisor's discretion throughout the year.

We analyzed FHFA data on monetary bonuses awarded to senior level employees at the EL-15 level and found no statistically significant differences between awards given to White and minority employees at the EL-15 level in 2011 and 2012.¹⁵ However, we did find statistically significant differences between these groups in 2013. FHFA data showed that the average bonus for White EL-15-level employees in 2013 was nearly \$5,700 while the average bonus for minority EL-15 employees was about \$4,100, or approximately 27% less.¹⁶ See Figure 4 below. Our analyses of FHFA data did not find statistically significant differences in bonuses given to mid-level employees (those at the EL-14 and EL-13 pay levels) over the same time period.¹⁷ In addition, our analysis of FHFA data did not find statistically significant

¹³ There were no statistically significant differences in performance ratings at the senior, mid-, or other level between African American and White employees; however, there was a statistically significant difference in ratings between non-supervisory African American and non-supervisory White employees.

¹⁴ Further analysis at a more granular level would be required to determine whether the disparities identified by the contractor are related to discrimination or due to differences based on experience level, actual performance, job location, job function, grade level, or a combination of these and other factors.

¹⁵ The dollar value of a performance bonus is calculated based on salary. Because there are differences in LL versus EL salaries we analyzed EL bonuses separately. The overall pool of LL-1 employees is fairly small, and there are relatively few minority LL-1 employees. Statistical significance tests of such small subgroups often yield inconclusive results. Thus, we did not perform a statistical significance test on bonuses awarded to LL employees.

¹⁶ Cash bonus comparisons include both on-the-spot bonuses and annual bonuses. We were not able to quantify other factors that could explain differences, such as differences in job duties and how often on-the-spot bonuses were awarded to individual employees; accordingly, such factors were not considered in our analysis.

¹⁷ We were not able to analyze bonus data for employees at EL-12 pay levels and below because race/ethnicity designations were missing from FHFA's data.

differences in bonuses given to female and male mid-level and EL-15 level employees from 2011-2013.

FIGURE 4. AVERAGE AND MEDIAN ANNUAL BONUSES OF EL-15 LEVEL EMPLOYEES BY RACE/ETHNICITY

Race/Ethnicity	2013		2012		2011	
	Average	Median	Average	Median	Average	Median
Minority	\$4,132	\$3,414	\$7,592	\$7,355	\$6,410	\$6,003
White	\$5,696	\$4,500	\$8,385	\$8,196	\$6,864	\$6,535
<i>Minority \$ Difference Compared to White</i>	<i>-\$1,564</i>	<i>-\$1,086</i>	<i>-\$793</i>	<i>-\$841</i>	<i>-\$454</i>	<i>-\$532</i>
<i>Minority % Difference Compared to White</i>	<i>-27%</i>	<i>-24%</i>	<i>-9%</i>	<i>-10%</i>	<i>-7%</i>	<i>-8%</i>

We cannot conclude, based upon statistically significant differences alone, that these differences resulted from discrimination or other unfair employment practices.

6. FHFA Employees' Responses to Survey Questions on Diversity and Associated Workplace Issues

The Federal Employee Viewpoint Survey (FEVS) is a survey administered by OPM. The FEVS is designed to capture federal employees' perceptions of their agency's strengths and weaknesses. Four FEVS questions pertain to employees' views on diversity and associated workplace issues. Employees are asked to respond whether they strongly agree, agree, neither agree nor disagree, disagree, or strongly disagree with the survey statements.

A majority of FHFA employees responded positively (agree or strongly agree) to the questions on diversity and workplace issues, and those numbers generally increased from 2011 to 2013. However, the number of employees responding negatively to the questions also sometimes increased. See Figure 5 below. According to the former director of FHFA's Office of Human Resources Management (OHRM), the Agency can obtain reports about responses to a particular survey question from OPM when 10 or more employees respond the same way to a question. FHFA has requested such reports to follow up on specific issues raised by employee responses to survey questions.

FIGURE 5. FHFA FEVS DIVERSITY AND WORKFORCE-RELATED QUESTIONS

Policies and programs promote diversity in the workplace	Year	Percent Positive	Percent Negative
	2011	55.7%	-18.4%
	2012	56.1%	-17.9%
	2013	56.1%	-20.2%

Prohibited personnel practices are not tolerated	Year	Percent Positive	Percent Negative
	2011	64.3%	-16.7%
	2012	61.0%	-18.0%
	2013	63.5%	-17.7%

My supervisor/team leader is committed to a workforce representative of all segments of society	Year	Percent Positive	Percent Negative
	2011	63.0%	-8.9%
	2012	68.8%	-8.8%
	2013	70.1%	-10.0%

Managers/supervisors/team leaders work well with employees of different backgrounds	Year	Percent Positive	Percent Negative
	2011	53.8%	-22.0%
	2012	51.0%	-24.5%
	2013	58.9%	-19.3%

Note: The numbers do not add to 100% because the figure does not include neutral/neither agree nor disagree responses.

7. Review of FHFA’s Employee Complaint Process and Hiring Practices

In addition to the analysis of FHFA’s diversity and workforce data related to performance ratings and bonuses, members of the House of Representatives requested information and data on FHFA’s employee complaints and hiring practices, which we discuss briefly below. Additional information is set forth in the Appendices.

A. Complaint Process

At FHFA, internal employee complaints are primarily received through one of three divisions: OMWI, OHRM, and the Office of the Chief Operating Officer (OCOO).¹⁸ A brief summary of each office’s role in the complaint process is included in Appendix F along with data on Equal Employment Opportunity (EEO) complaints.

During the course of this evaluation, we learned that, in 2012, a high-ranking official in the Agency allegedly told two employees in the Agency’s EEO office that there would be serious consequences if additional EEO complaints were filed against a particular Agency supervisor. The OIG Office of Investigations investigated the allegation and was not able to determine whether this alleged threat acted to reduce the overall number of complaints that were subsequently filed against the supervisor in question or any other official. The results of the

¹⁸ External complaints dealing with the regulated entities—Fannie Mae, Freddie Mac, and the Federal Home Loan Banks—are referred to the Office of the Ombudsman.

investigation have been referred to the EEOC and the U.S. Office of Special Counsel, as well as to FHFA. Workplace commitment to a discrimination-free environment begins with the “tone at the top;” senior leadership must communicate and enforce compliance with anti-discrimination laws. When a high-ranking Agency official is perceived as threatening retaliation against employees if additional EEO complaints are filed, that threat of perceived retaliation, even if it did not occur, can have a chilling effect on the Agency because it can drive out capable employees and reduce employee willingness to report misconduct.

B. Hiring Practices

The financial services industry has faced documented challenges in developing a diverse pool of qualified candidates to fill the needs of the industry.¹⁹ According to FHFA:

[The Agency] faces challenges when hiring certain mission-critical positions. For example, FHFA employs a number of Ph.D. economists and specialized examiners to fulfill its mission. Based upon census data, the availability of these financial skills is low among Hispanics, Blacks, and Native Americans.²⁰

FHFA has stated that it takes diversity seriously. OHRM employed a team of contracted recruiters tasked with recruiting mission-critical positions through social media and cold calling. The recruiters stated that they searched for qualified candidates by cross-referencing professional associations, including race-based or gender-based organizations, against individuals with the desired education and experience. They also developed a recruitment plan in August 2012, but FHFA has not approved it. Among other things, the plan suggested that OHRM partner with OMWI and attend conferences for minority and women trade associations. We also found that FHFA does not have plans for hiring minority candidates at junior levels to increase diversity in senior management positions through internal promotions.²¹

¹⁹ Minorities and women are often underrepresented in both internal and external candidate pools; see GAO report, *supra* note 2.

²⁰ OMWI, FHFA, *Annual Report to Congress* (Jan. 2012-Dec. 2012), at 7 (online at www.fhfa.gov/AboutUs/Reports/Pages/Office-of-Minority-and-Women-Inclusion-2012-Annual-Report-to-Congress.aspx).

²¹ See Appendix G for more information about FHFA’s hiring authority and the use of expressions of interest in positions at the Agency.

OMWI'S ROLES AND RESPONSIBILITIES FOR DIVERSITY-RELATED MATTERS WITHIN FHFA

Section 342 of the Dodd-Frank Act mandated the creation of OMWI within FHFA and directed that it “shall be responsible for all matters of the agency relating to diversity in management, employment, and business activities.”²² With the recent appointment of a new OMWI Director, FHFA has an opportunity to review the office’s roles and responsibilities and determine whether actions are necessary to enhance its effectiveness.

Since FHFA established its OMWI in January 2011, the office has conducted the following activities, among others:²³

- Issued annual reports to Congress on the diversity of the Agency’s workforce, as well as the diversity in its external business dealings, e.g., contract awards to minority- and women-owned businesses;²⁴
- Issued annual reports to Congress, the Equal Employment Opportunity Commission (EEOC), OPM, and the Department of Justice on the Agency’s No FEAR Act obligations;²⁵

²² The Dodd-Frank Wall Street Reform and Consumer Protection Act, Section 342, Pub. L. No. 111-203, 111th Congress, 12 U.S.C. § 5452.

²³ Under Section 1116 of HERA, Fannie Mae, Freddie Mac, and the FHLBank System are required to establish an OMWI or designate an office responsible for carrying out OMWI requirements. FHFA has enforcement authority over the diversity and inclusion practices of its regulated entities. Although carrying out the HERA requirements at the regulated entities is a major portion of OMWI’s work, a review of OMWI’s efforts toward workforce and management diversity at the regulated entities was beyond the scope of this evaluation.

²⁴ Section 342 of the Dodd-Frank Act requires OMWI to submit to Congress an annual report that includes:

- (1) a statement of the total amounts paid by the agency to contractors since the previous report;
- (2) the percentage of those total amounts that were paid to minority-owned and women-owned businesses;
- (3) the successes achieved and challenges faced by the agency in operating minority and women outreach programs;
- (4) the challenges the agency may face in hiring qualified minority and women employees and contracting with minority-owned and women-owned businesses; and
- (5) any other information, findings, conclusions, and recommendations for legislative or agency action, as the Director determines appropriate.

12 U.S.C. § 5452(e).

It was outside the scope of our evaluation to review OMWI’s efforts to increase participation of minority- and women-owned businesses in the Agency’s contracting activities.

²⁵ Among the items that must be included in the annual report are: the number, status, and disposition of pending or resolved federal court cases against the Agency, the number of individuals the Agency disciplined,

- Provided Equal Employment Opportunity (EEO)²⁶ services to Agency employees, including counseling, mandatory training, complaint processing, and investigations;
- Coordinated with OHRM to issue annual reports according to EEOC Management Directive 715, known as MD-715 reports;²⁷ and
- Conducted mandatory diversity training for FHFA management.

Dodd-Frank also directs OMWI directors to “develop standards for equal employment opportunity and the racial, ethnic, and gender diversity of the workforce and senior management” of the Agency.²⁸ Section 1116 of HERA includes specific diversity provisions; the Agency has interpreted the HERA diversity provisions as satisfying the Dodd-Frank requirement.²⁹

OMWI reported that it has initiated a number of efforts to increase diversity in the Agency, including the following:

- Recruiting at conferences and job fairs targeted at women and minorities and forwarding resumes to OHRM;³⁰
- Sponsoring a summer student internship program that includes women and minority students; and
- Distributing employment opportunity announcements to educational institutions, including historically Black colleges and universities, and professional organizations targeted at women and minorities.

and the types of discipline administered for violations of the employment discrimination and whistleblower protection laws.

²⁶ EEO refers to the federal laws and regulations that make it illegal to discriminate against a job applicant or an employee based on race, religion, national origin, color, sex, age, disability, and other protected categories.

²⁷ An MD-715 report includes a statistical snapshot of workforce demographics and an agency’s self-assessment of its EEO program.

²⁸ 12 U.S.C. § 5452(b)(2)(A).

²⁹ 12 U.S.C. § 4520(f).

³⁰ Recruitment efforts by FHFA are managed by OHRM. As discussed in Section 7 B. above, the policy proposed by OHRM contractors for OHRM to partner with OMWI to implement a more robust recruitment plan has not been implemented.

However, OMWI has not yet initiated a partnership with high schools, as specified in HERA and Dodd-Frank “where feasible.” The new OMWI director reports that the office will revisit the feasibility of such a high school mentoring program.

OMWI’s former Acting Director had advised us that some of the policies OMWI proposed concerning workforce and diversity issues were not acted on by Agency officials. For example, during the period under review in this report, OMWI developed a draft diversity and inclusion strategic plan, which was not finalized. The new OMWI director reported that the office will continue to work toward implementing a plan.

Members of the House of Representatives staff also expressed interest in OMWI’s role and involvement in assessing the impact of personnel policies on minorities and women. During the period of this evaluation, few personnel policies had been adopted by FHFA. A number of personnel policies had been drafted, but had not been finalized and implemented. The former Acting Director of FHFA approved and signed only the EEO Policy Statement and the Anti-Harassment Policy Statement during his five years in office. Thus, there were few personnel policies in place to assess.³¹

According to OMWI’s former Acting Director, senior Agency officials were supportive of OMWI’s external activities related to diversity and inclusion at FHFA’s regulated entities, but they did not advocate for a more robust role for OMWI on diversity and inclusion within the Agency. The former OHRM director stated that OMWI needed more resources to perform its work. OMWI’s operating budget, excluding employee salaries, was reduced from its original allocation of \$532,696 in fiscal year 2011. Budget totals for fiscal years 2012, 2013, and 2014 were \$445,662, \$458,991, and \$388,862, respectively.³²

In October 2014, FHFA’s Director appointed a new OMWI director. The new director reports that she believes that OMWI has a commitment from the top of the Agency. This change in OMWI leadership provides FHFA with the opportunity to review OMWI’s operations and performance and determine whether an expansion in its roles and responsibilities would be appropriate.

³¹ Between March and October 2014, FHFA Director Melvin L. Watt approved additional personnel policies, including policies on performance management, absence and leave, and reimbursement and stipends.

³² As of February 2014, OMWI was staffed by eight employees, including two EEO staff. The remaining six employees are responsible for diversity activities within the Agency as well as efforts to increase diversity in the Agency’s external business dealings (e.g., contract awards to minority- and women-owned businesses) and oversight of diversity at Fannie Mae, Freddie Mac, and the FHLBanks.

CONCLUSIONS

We reached the following conclusions:

- Human resource data issues present challenges for assessing the Agency’s diversity efforts.
- According to FHFA data, the percentage of minorities and women in senior positions at the Agency increased from 2011 to 2013. Promotions of minorities at the senior level increased from 2011 to 2013. The percentage of women in mid-level positions increased; however, the percentage of minorities in mid-level positions remained generally unchanged.
- The Agency’s FEVS results with respect to the diversity and related workplace questions have generally improved since 2011, and the majority of employees responded affirmatively regarding diversity and workplace policies at the Agency.
- FHFA’s data did not reveal statistically significant disparities in performance ratings based on race, ethnicity, or gender for senior level employees. Analysis of that data found statistically significant disparities favoring mid-level White employees over Asian employees in 2011 and 2012, and female employees over male employees in 2012 and 2013. It also found statistically significant differences in bonuses favoring some senior level White employees in 2013. We cannot conclude that these disparities resulted from discrimination or other unfair employment practices.
- OMWI has carried out statutorily mandated reporting requirements, conducted diversity training, and initiated a number of other efforts to increase diversity. However, FHFA has not acted on some of OMWI’s proposals concerning diversity and workforce issues or on a proposed policy for OMWI to partner with OHRM for recruitment efforts. With the recent appointment of a new OMWI Director, FHFA has an opportunity to review the office’s roles and responsibilities, and determine whether additional actions are necessary to enhance its effectiveness.

RECOMMENDATIONS

We recommend that FHFA:

1. Test the new human resource system to ensure that it will provide data sufficient to enable the Agency to perform comprehensive analyses of workforce issues.
2. Regularly analyze Agency workforce data and assess trends in hiring, awards, and promotions.
3. Adopt a diversity and inclusion strategic plan.
4. Research opportunities to partner with inner-city and other high schools, where feasible, to ensure compliance with the Housing and Economic Recovery Act.

On December 22, 2014, FHFA provided comments to a draft of this report. See Appendix A. FHFA agreed with all of our recommendations. FHFA expects implementation of its new Human Resource Information System (HRIS) and the adoption of a diversity and inclusion strategic plan by September 30, 2015. OMWI and OHRM will work together to analyze FHFA's workforce data once the implementation of the new HRIS is completed. OMWI and OHRM will also explore partnering with inner-city and other high schools during 2015.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The objectives of this evaluation as stated in the March 24, 2014 letter from nine Members of the House of Representatives were to (1) determine if any personnel practices have systematically prevented minorities and women from obtaining senior management positions at the Agency, (2) determine if any personnel practices have created a discriminatory workplace for minorities and women, and (3) assess OMWI's operations. Similar requests were sent to CFPB, Treasury, FDIC, the Federal Reserve, NCUA, and SEC.

To address the objectives of the letter we analyzed agency-wide statistics, such as performance rating results, promotions for minority and female employees, and employee satisfaction results. We also reviewed agency personnel policies and procedures and OMWI's role and involvement in the Agency, among other things.

Scope

The scope of this evaluation was to assess workforce diversity at FHFA and OMWI as described by the Dodd-Frank Act. The period of review was from 2011 through 2013.

General Methodology

To achieve the objectives of this evaluation we reviewed applicable federal laws, including civil rights laws, HERA, the Dodd-Frank Act, as well as EEOC and FHFA regulations. We also compiled publicly available data on EEO complaint activity. We interviewed FHFA officials from OBFM, OCOO, OGC, OHRM, and OMWI. We reviewed documents provided by FHFA including personnel policies and procedures; budget information; employee satisfaction surveys; job posting information; formal and informal complaints; congressional correspondence; and raw data regarding performance ratings, attrition, new hires, bonuses, promotions, and disciplinary actions.

For each FHFA employee, we requested data elements such as race, ethnicity, gender, and pay grade. Because our analysis was limited to FHFA employees, we did not request Fannie Mae, Freddie Mac, or OIG employee data. The data provided by the Agency had missing data elements and incorrect information. Follow-up data requests revealed that not all necessary information was readily available for analysis.

As a result of the issues identified, we prepared the data for analysis by deleting duplicates and merging and formatting datasets in order to produce the aggregate summaries provided in this report. When possible, our analysis included individuals who self-identified as two or

more races. Although we did not independently test the reliability of FHFA’s data systems, we discuss in this report the data quality issues that were identified in the course of our evaluation. Data limitations prevented certain analyses of performance evaluation ratings, expressions of interests, promotions, and hiring at the Agency.

The review of data from FHFA’s performance management system was conducted by a third party contractor. According to the contractor, “[s]eparate analyses were conducted for overall performance ratings administered in 2011, 2012, and 2013. These analyses were conducted to detect trends in the data related to possible performance rating differences based on gender, race/ethnicity and age. Analyses were conducted at overall (i.e., agency wide), job level (senior executive, mid-level, and other) and supervisory status (supervisory and non-supervisory) units of analysis.”³³

This evaluation was conducted under the authority of the Inspector General Act and is in accordance with the *Quality Standards for Inspection and Evaluation* (January 2012), which were promulgated by the Council of the Inspectors General on Integrity and Efficiency. These standards require us to plan and perform an evaluation that obtains evidence sufficient to provide reasonable basis to support its findings and recommendations. We believe that the findings and recommendations discussed in this report meet these standards.

The performance period for this evaluation was March 2014 to December 2014.

³³ DCI Consulting Group, *An Analysis of Gender, Race, and Age Differences in Performance Ratings of FHFA Employees: 2011-2013* (Sept. 5, 2014).

APPENDIX A

FHFA's Comments on FHFA-OIG's Findings and Recommendations



Federal Housing Finance Agency

MEMORANDUM

TO: Richard Parker, Deputy Inspector General for Evaluations

FROM: Sharron Levine, Associate Director, Minority & Women Inclusion *SL*
Michele Horowitz, Acting Human Resources Director *MH*

SUBJECT: Evaluation Report: *Women and Minorities in FHFA's Workforce*

DATE: December 22, 2014

This memorandum transmits the Federal Housing Finance Agency's (FHFA or Agency) management response to the recommendations in the FHFA Office of Inspector General draft evaluation report, *Women and Minorities in FHFA's Workforce* (Report). The Report is in response to a March 24, 2014 request by nine members of the U.S. House of Representatives to Inspectors General at seven financial regulators, including FHFA. The Report reviews diversity and related workplace issues at FHFA. Management responses to the Report's recommendations are outlined below.

Recommendation 1: Test the new human resources system to ensure that it will provide data sufficient to enable the Agency to perform comprehensive analyses of workforce issues.

Management Response to Recommendation 1: FHFA agrees with the recommendation. In 2013, FHFA initiated a project to improve workforce data quality by implementing the Human Resource Information System (HRIS), which is administered by one of the federal government's centers of excellence. FHFA expects implementation to be complete by September 2015. The system will provide data sufficient to enable the Agency to perform comprehensive analyses of workforce issues. FHFA will conduct parallel testing during 2015 before implementation is complete, and the Agency will be able to produce the annual report (i.e., MD-715) to the Equal Employment Opportunity Commission and other workforce data reports from HRIS.

Recommendation 2: Regularly analyze Agency workforce data and assess trends in hiring, awards, and promotions.

Management Response to Recommendation 2: FHFA agrees with the recommendation. FHFA is in the process of hiring a permanent Human Resources Director, and expects to

complete the process during the first quarter of 2015. The Office of Human Resources Management (OHRM) and the Office of Minority and Women Inclusion (OMWI) will review the Agency's workforce data and trends in hiring, awards, and promotions in 2015 and expand the analysis following the implementation of HRIS.

Recommendation 3: Adopt a diversity and inclusion strategic plan.

Management Response to Recommendation 3: FHFA agrees with the recommendation. FHFA will adopt a diversity and inclusion strategic plan by September 30, 2015.

Recommendation 4: Research opportunities to partner with inner-city and other high schools where feasible to ensure compliance with the Housing and Economic Recovery Act.

Management Response to Recommendation 4: FHFA agrees with the recommendation. OMWI and OHRM have initiated a regular meeting to partner on diversity issues, and will explore partnering with inner-city and other high schools where feasible as part of these meetings during 2015.

cc: John Major, Manager, Internal Controls & Audit Follow-up Manager

APPENDIX B.....

Letter from Nine Members of the House of Representatives

JEB HENSARLING, TX, CHAIRMAN

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515

MAXINE WATERS, CA, RANKING
MEMBER

March 24, 2014

Acting Inspector General Michael P. Stephens
Federal Housing Finance Agency
Office of Inspector General
400 7th Street, S.W.
Washington, DC 20024

Dear Acting Inspector General Stephens:

We write to request that the Office of the Inspector General (OIG) for the Federal Housing Finance Agency (FHFA) review the agency's internal operations to determine whether any personnel practices have created a discriminatory workplace or otherwise systematically disadvantaged minorities from obtaining senior management positions.

Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act established an Office of Minority and Women Inclusion (OMWI) at most of the federal financial regulatory agencies, responsible for matters relating to diversity in management, employment, and business activities. Despite this statutory mandate, the Government Accountability Office (GAO) concluded in a report released last year that management-level representation of minorities and women among federal financial agencies and Federal Reserve Banks has not changed substantially from 2007 through 2011. In fact, across all federal financial regulators, agency representation of minorities was as low as 6 percent and dropped as low as zero percent at one of the Reserve Banks. In light of these findings and the concerns raised by employee performance evaluations at the Consumer Financial Protection Bureau (CFPB), we believe the OIG should work in cooperation with Federal Housing Finance Agency's OMWI Director to assess current personnel practices and make recommendations necessary to ensure full compliance with the law.

The 2013 GAO report, entitled "Trends and Practices in the Financial Industry and Agencies after the Recent Financial Crisis," documented the extremely poor representation of women and minorities in leadership positions within the financial services industry and among federal financial regulators. According to GAO, industry representation of minorities in 2011 was higher in lower-level management positions – approximately 20 percent – as compared to about 11 percent of senior-level manager positions.

While public attention is currently and justifiably focused on the CFPB, the most recent OMWI reports suggest the disparities impeding internal upward mobility for minorities may be endemic throughout all the agencies regulating the financial services industry. According to the Treasury Department's 2013 OMWI report, among its senior executive management, 86 percent are white men, compared to 7 percent Black men, 4 percent Hispanic men, and 3 percent Asian men. Among the agency's GS-15 employees, which serves as a pipeline to senior level management, white men are once again overrepresented at 86 percent, compared to 6 percent Black men, 2 percent Hispanic men, and 6 percent Asian men.

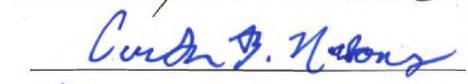
At the Federal Reserve, white men represent 50 percent of executive senior level managers, compared to just 28.7 percent represented by white women. Along ethnic categories, black and Hispanic men represent, respectively, roughly 5 percent and 1 percent of executive senior level managers. Black women represent roughly 6 percent and Hispanic women represent nearly 2 percent of senior managers.

According to the most recent information from the GAO, at the National Credit Union Administration (NCUA), whites represent 88 percent of senior level management positions, compared to 4 percent represented by blacks and 4 percent by Hispanics. At the Office of the Comptroller of the Currency (OCC), whites represent 82 percent of senior level managers, compared to 9 percent black and 5 percent Hispanic. Whites represent 89 percent of senior level management positions at the Securities and Exchange Commission, compared to 2 percent black and 5 percent Hispanic. Minorities appear to fair best at the Federal Housing Finance Agency, where whites represent 76 percent of senior level management positions, compared to 16 percent black and 8 percent Hispanic. However, more comprehensive analysis is still needed from the agency to fully assess the racial and gender employment of minorities in senior positions beyond the GAO's limited information.

Accordingly, we request that the OIG examine any employee complaints, formal or informal, related to personnel practices, workplace policies and the findings from any employee satisfaction surveys, whether conducted by the Federal Housing Finance Agency or an outside entity. If the OIG identifies any individuals or groups of individuals who have exhibited discriminatory behaviors or patterns of unfair or unequal treatment, we ask that the OIG provide recommendations about appropriate actions, including remedial training or removal from employment with the agency. Furthermore, we request that the OIG assess the agency's OMWI operations, and ensure corrective actions are taken within the agency with regard to employee compensation, rating systems, retention, and promotion of women and minorities.

Sincerely,



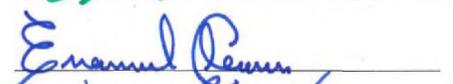














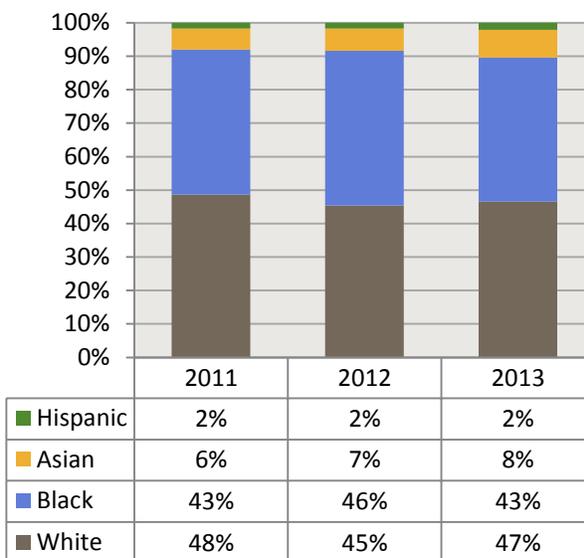
APPENDIX C.....

Representation of Minorities and Women at FHFA at the EL-12 Pay Level and Below

Race/Ethnicity Composition of Employees at FHFA

The representation of minorities at pay levels EL-12 and below remained relatively static during the period of review, 2011 to 2013.³⁴ See Figure 6 at right. Note: Numbers may not add up to 100% due to rounding.

FIGURE 6. REPRESENTATION BY RACE/ETHNICITY (EL-12 AND BELOW)

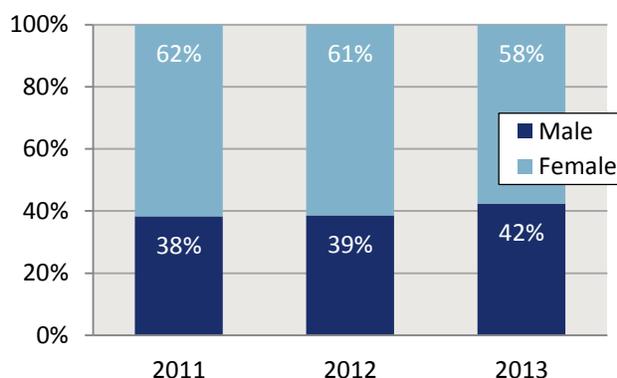


Gender Composition of Employees at

FHFA

The representation of women at FHFA at pay levels EL-12 and below has decreased over the past three years—four percentage points from 2011 to 2013. See Figure 7 at right.

FIGURE 7. FHFA WORKFORCE BREAKDOWN BY GENDER (EL-12 AND BELOW)



³⁴ For a comparison of the race and ethnicity representation levels of FHFA’s workforce and the federal civilian agency workforce, see OPM’s *Federal Equal Opportunity Recruitment Program (FEORP) for Fiscal Year 2012: Report to the Congress*. The report is available online at www.opm.gov/policy-data-oversight/diversity-and-inclusion/reports/feorp-2012.pdf; for a comparison of the race and ethnicity representation levels between FHFA’s workforce and those of the non-federal agency civilian workforce in 2013, see U.S. Bureau of Labor Statistics’ *Labor Force Characteristics by Race and Ethnicity, 2013*. The report is available online at www.bls.gov/cps/cpsrace2013.pdf.

APPENDIX D

Promotions

Promotion data for all FHFA staff show that in 2013, 30 promotions were awarded to minorities, an increase from 22 in 2011. See Figure 8 at right.

FIGURE 8. 2011-2013 PROMOTIONS BY RACE AND ETHNICITY FOR ALL FHFA STAFF

	2011	2012	2013
White	29	33	36
Black or African American	17	22	19
Asian	4	3	9
Hispanic/Latino	0	0	2
Two or More Races	1	1	0
Unspecified	9	3	1
Total	60	62	67

APPENDIX E.....

Performance Ratings

The following tables show percent differences in employee performance ratings by gender and race or ethnicity for mid-level employees. We also present data relative to all employees regardless of pay level.³⁵

In Figure 9, the percentage difference column shows the performance rating difference when compared to White employees. Statistically significant differences are indicated by a dot (●). For example, in 2012, the average performance rating for mid-level Asian employees was 7.8% lower than their White counterparts. Statistical analysis showed that the 7.8% difference in ratings was statistically significant, and therefore, was not the result of chance or an anomaly.³⁶ In 2012 and 2013, Hispanic employees averaged higher performance ratings than White employees by 3.8% and 1.1%, respectively. That difference, however, was not found to be statistically significant.

FIGURE 9. PERFORMANCE RATINGS BY RACE OR ETHNICITY

Mid-Level Employees Average Rating							
	White	Black	% Difference	Asian	% Difference	Hispanic	% Difference
2011	4.13	3.89	6.1	3.83	7.8 ●	3.83	7.6
2012	4.17	3.98	4.8	3.87	7.8 ●	4.33	3.8
2013	4.12	4.1	0.5	4.1	0.4	4.17	1.1

Overall Employees Average Rating							
	White	Black	% Difference	Asian	% Difference	Hispanic	% Difference
2011	4.23	3.93	7.7 ●	3.96	6.7 ●	4.2	0.6
2012	4.27	4.06	5.2 ●	4.02	6.1 ●	4.47	4.5
2013	4.3	4.16	3.3	4.21	2.1	4.35	1.3

● = Statistically Significant

³⁵ Senior level are employees at the LL-1 and EL-15 pay levels. Mid-level are employees at the EL-14 and 13 pay levels. Other employees are employees at the EL-12 pay levels and below.

³⁶ There were no statistically significant differences in performance ratings by race/ethnicity for “other” and “senior level” employees.

In Figure 10, the percentage difference column shows the performance rating difference between male and female employees. Statistically significant differences are indicated by a dot (•).³⁷ For instance in 2012 and 2013, the average performance rating for mid-level female employees was higher than male employees by 7.9% and 10.6%, respectively.

FIGURE 10. PERFORMANCE RATINGS BY GENDER

Mid-Level Employees Average Rating			
	Men	Women	% Difference
2011	3.95	4.15	4.8
2012	3.95	4.29	7.9 •
2013	3.92	4.38	10.6 •

Other Employees Average Rating			
	Men	Women	% Difference
2011	3.68	3.93	6.3
2012	3.91	4.18	6.4
2013	3.89	4.19	7.1 •

Overall Employees Average Rating			
	Men	Women	% Difference
2011	4.09	4.2	2.8
2012	4.12	4.3	4.2 •
2013	4.17	4.38	4.6 •

• = Statistically Significant

³⁷ There were no statistically significant differences in performance ratings by gender for “senior level” employees.

APPENDIX F

FHFA Employee Complaint Processes

Below are brief summaries of the roles played by various offices of the Agency in the handling of employee complaints.

OMWI

OMWI processes EEO complaints as well as complaints that appear to involve discrimination but do not fall within a protected category specified under federal law.³⁸ OMWI also handles non-EEO complaints, offering alternative dispute resolution services. The office developed a Preventing Harassment Protocol as another method for addressing problematic conduct in the workplace. Employees are provided with written materials that summarize the development of harassment law, define what is considered harassment, and suggest actions employees can take to prevent harassment. Highlighted in Figures 11 and 12, below, are breakdowns of EEO allegations and complaint status for fiscal years 2011-2013. Figure 11 shows that in fiscal years 2011 and 2012, most cases were settled, whereas in fiscal year 2013, many cases were withdrawn. Figure 12 shows 13 categories of EEO allegations, with the most common allegation related to hostile work environment.

³⁸ EEOC enforces laws that make it unlawful for an employer to (1) fail or refuse to hire, discharge, or otherwise discriminate against anyone with respect to compensation, terms, conditions, or privileges of employment, or (2) limit, segregate, or classify employees in a way that deprives them of employment opportunities or otherwise adversely affects their status based on race, color, religion, sex, national origin, age, disability, or genetic information.

FIGURE 11. EEO COMPLAINT STATUS SUMMARY FISCAL YEARS 2011-2013³⁹

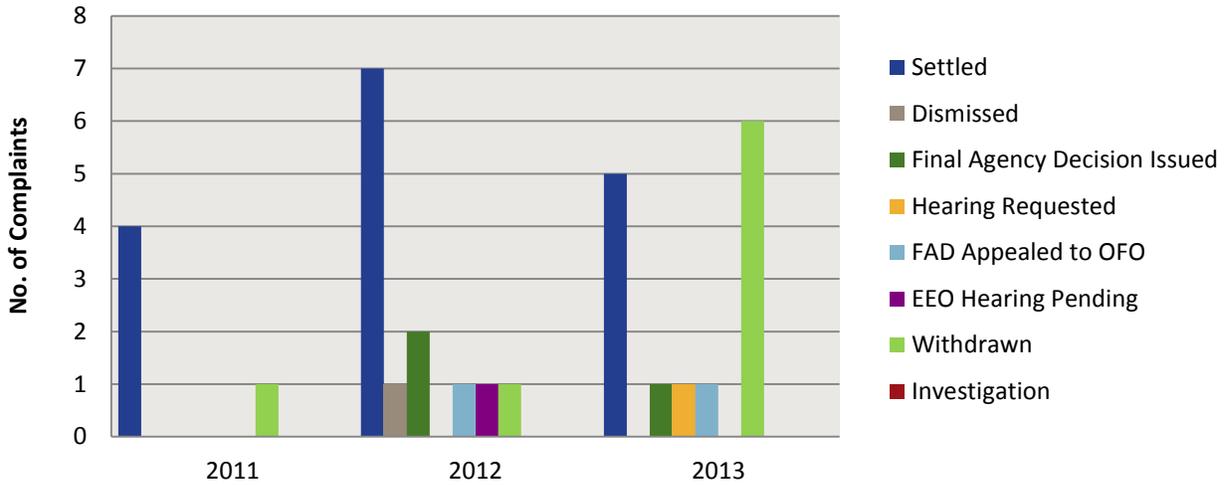


FIGURE 12. EEO ALLEGATIONS SUMMARY FISCAL YEARS 2011-2013*

	2011	2012	2013	Total	Overall Percent
Hostile Work Environment	0	5	4	9	14%
Terms and Conditions of Employment/Assignment of Duties	2	3	3	8	13%
Non-selection	1	5	2	8	13%
Performance Evaluation	2	3	3	8	13%
Pay	1	5	2	7	13%
Harassment	2	2	3	6	11%
Promotion/Demotion	1	3	1	5	8%
Suspension/Termination/Constructive Discharge	1	3	0	4	6%
Denial of Telework/Training	0	1	1	2	3%
Harassment (Non-Sexual)	1	0	1	2	3%
Leave	0	0	1	1	2%
Discipline	0	1	0	1	2%
Accommodation	0	0	1	1	2%

*A single complaint often contains more than one allegation.

³⁹ Includes formal and informal complaints.

OIG Hotline Referrals

FHFA encourages its employees to use the Office of Inspector General's (OIG) Hotline to report instances of fraud, waste, and abuse at the Agency or the regulated entities. OIG, in turn, may refer non-criminal matters to OCOO and request that OCOO provide OIG with a brief explanation of their resolution.⁴⁰ During the period of review (2011-2013) OIG referred to OCOO several Hotline complaints in which discrimination was alleged. According to a senior Agency official, one of those complaints was investigated by a third party consultant. We were unable to verify the involvement of a third party in that particular complaint.

Office of Human Resources Management

OHRM also handles employee complaints and grievances related to appeals of performance ratings. According to FHFA officials, OHRM refers to OMWI complaints that appear to pertain to EEO matters. In such cases, OHRM may serve in an advisory role because it is often charged with implementing settlement agreements between aggrieved employees and FHFA.

OHRM also tracks appeals of performance ratings. According to a senior official, OHRM does not track informal employee complaints, but it does track formal complaints. We were unable to confirm whether OHRM had referred any EEO matters to OMWI.

Internal Ombudsman

FHFA's Office of the Ombudsman is charged with handling complaints against the Agency and the GSEs from sources outside the Agency. The Ombudsman does not handle internal employee disputes.

In 2013 OMWI was tasked by the then-Acting Director to draft a proposal for an Internal Ombudsman program to handle employee complaints that do not involve allegations of discrimination. According to FHFA officials, the then-Acting Director verbally approved the proposal drafted by OMWI. To date, however, the Agency has not implemented it.

⁴⁰ Employee complaints are also referred to OCOO by OHRM or received directly from FHFA employees.

APPENDIX G

Hiring

In addition to the topics listed in the March 24, 2014 letter to OIG, members of the House of Representatives staff asked that we include a discussion of FHFA's hiring practices.

In general, all federal agencies can use commercial recruiting firms to recruit candidates.⁴¹ All agencies can conduct competitive examining for competitive service positions under delegation agreements between the Agency and OPM.⁴² For competitive examining, agencies can use category rating selection procedures⁴³ or they can hire by methods authorized under Title 5 of the Code of Federal Regulations, section 330.102.

In addition to competitive service hiring, HERA provides FHFA with direct hire authority to hire employees for positions that directly support FHFA's mission, namely economists, information technology professionals, financial specialists, and accountants. Direct hire authority gives federal agencies the ability to fill vacancies when there is a critical hiring need or a severe shortage of candidates. Direct hire authorities permit hiring without the procedural safeguards of Title 5 of the United States Code.⁴⁴ From 2011-2013, FHFA hired more than 50% of its employees under this authority.

FHFA determines the type of authority that it will use to hire a candidate on a case-by-case basis. According to an FHFA official, the Agency is required to record the legal authority used to fill a position. The legal authority specifies the law, executive order, rule, regulation, or other basis that authorizes an agency to take a desired action. The use of one hiring authority over another may affect whether a position is advertised (internally, externally, or at all), the factors considered by hiring officials, the amount of time a position remains open, and the requirements for each position.

Figure 13, below, contains the number of employees FHFA hired from 2011-2013 by race/ethnicity.

⁴¹ 5 CFR Part 300, subpart D.

⁴² Pub. L. No. 104-52; 5 U.S.C. § 1104(a)(2); 5 CFR § 2.1.

⁴³ 5 U.S.C. § 3319.

⁴⁴ 5 U.S.C. §§ 3309-3318.

FIGURE 13. COUNT OF NEW HIRES BY RACE/ETHNICITY, 2011-2013

	EL-12 and Below	Mid-Level	Senior Level
White	43	59	44
Black or African American	24	13	4
Asian	7	12	3
Hispanic/Latino	3	0	0
Two or More Races	0	2	2
Unspecified	2	1	0
Total	79	87	53

Expression of Interest Notices

FHFA can choose to notify existing employees about job openings. These notifications are called an expression of interest (EOI). EOIs are posted internally for permanent, temporary, and detail assignments.

We requested information regarding FHFA's use of internal EOIs, but the Agency does not track this information.

ADDITIONAL INFORMATION AND COPIES.....

For additional copies of this report:

- Call: 202-730-0880
- Fax: 202-318-0239
- Visit: www.fhfoig.gov

To report potential fraud, waste, abuse, mismanagement, or any other kind of criminal or noncriminal misconduct relative to FHFA's programs or operations:

- Call: 1-800-793-7724
- Fax: 202-318-0358
- Visit: www.fhfoig.gov/ReportFraud
- Write:

FHFA Office of Inspector General
Attn: Office of Investigation – Hotline
400 Seventh Street, S.W.
Washington, DC 20024