



NCUA
National Credit Union Administration

**OFFICE OF INSPECTOR
GENERAL**

**AUDIT OF THE NCUA'S
HIRING PRACTICES**

**Report #OIG-22-01
01/12/2022**





National Credit Union Administration

Office of Inspector General

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FROM: Inspector General James W. Hagen

SUBJ: Audit of the NCUA's Hiring Practices

DATE: January 12, 2022

The National Credit Union Administration (NCUA) Office of Inspector General (OIG) conducted this self-initiated audit to assess the NCUA's hiring practices. The objectives of our audit were to determine whether the NCUA's: (1) hiring practices are in accordance with Office of Personnel Management (OPM), NCUA, and other federal requirements, and (2) hiring processes facilitated the efficient selection of high-quality candidates to help NCUA divisions and offices meet mission requirements.

Results of our audit determined that NCUA hiring practices were substantially compliant with applicable requirements; however, some practices need review to ensure full compliance. Our audit also determined the NCUA's hiring process facilitates the efficient selection of candidates. However, we determined that when using a recruiting firm, the NCUA should validate referred candidates' qualifications prior to conducting interviews to improve the efficiency of the hiring process. Therefore, we are making one recommendation and one suggestion in our report and note that management has agreed to both the recommendation and the suggestion.

We appreciate the cooperation and courtesies NCUA management and staff provided to us during the audit. If you have any questions on the report and its recommendation, please contact me at 703-518-6350.

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EXECUTIVE SUMMARY

The National Credit Union Administration (NCUA) Office of Inspector General (OIG) conducted this self-initiated audit to assess the NCUA's hiring practices. The objectives of our audit were to determine whether the NCUA's: (1) hiring practices were in accordance with Office of Personnel Management (OPM), NCUA, and other federal requirements, and (2) hiring processes facilitated the efficient selection of high-quality candidates to help NCUA divisions and offices meet mission requirements. The scope of our audit covered the period of January 2019 through December 2020.

Our audit determined that, while the NCUA's hiring practices substantially complied with applicable requirements, some practices need review to ensure full compliance. Our audit also determined the NCUA's hiring process facilitated the efficient selection of candidates. However, we determined that when using a recruiting firm, the NCUA should validate referred candidates' qualifications prior to conducting interviews to improve the efficiency of the hiring process. We are making one recommendation and one suggestion in our report to address the issues we identified.

We appreciate the cooperation and courtesies NCUA management and staff provided to us during this audit.



BACKGROUND

The NCUA is an independent federal agency created by the U.S. Congress to regulate, charter, and supervise federally insured credit unions. The NCUA's organizational structure consists of a Headquarters, Asset Management and Assistance Center, and three regional offices.

NCUA's Office of Human Resources and Division of Staffing and Classification

NCUA's Office of Human Resources (OHR) provides a full range of human resources (HR) functions to NCUA employees. OHR administers recruitment and merit promotion, position classification, compensation, employee records, employee and labor relations, training, employee benefits, performance appraisals, incentive awards, adverse actions, and grievance programs.

OHR's Division of Staffing and Classification (DSC) is responsible for overseeing HR advisory services, policy and procedures, operations for staffing, recruitment strategy, position management and classification, personnel action processing, pay-setting, personnel records management, and HR Information Technology programs. Within DSC, Lead HR Specialists manage the day-to-day work in their area, oversee various HR programs, conduct quality control activities, and supervise their HR Specialists and HR Assistants. They are involved in, among other things, recruiting, classification, student hires, certain HR reports, and developing draft HR standard operating procedures. Each HR Specialist is responsible for providing HR support for certain NCUA offices or regions. HR Specialists are involved in, among other things, advertising vacancies, classifying positions, providing advice to hiring managers, position management, onboarding new hires, updating HR systems, reviewing folders, and closing out case files. HR Assistants process personnel actions, perform electronic Official Personnel File scanning and importing, conduct new employee orientation, and work with the position description library. HR Specialists (Information Systems), among other things, carry out electronic Official Personnel File administration, assist in responding to Freedom of Information Act requests, manage the OHR's SharePoint site and OHR's NCUA Central website, and perform records management.

Hiring Guidance

The first merit system principle¹ is:

Recruitment should be from qualified individuals from appropriate sources in an endeavor to achieve a workforce from all segments of society, and selection and advancement should be determined solely on the basis of relative ability, knowledge, and skills, after fair and open competition which assures that all receive equal opportunity.²

¹ The merit systems principles are nine basic standards that govern the management of the executive branch workforce and serve as the foundation of federal civil service. *The Merit Systems Principles, Keys to Managing the Federal Workforce*, U.S. Merit Systems Protection Board (Oct. 2020)

² 5 U.S.C. § 2301(b)(1)



Title 5 C.F.R. Subchapter B, *Civil Service Regulations*, includes regulations to be followed by federal agencies when conducting hiring activities, most notably parts 300-362. In addition to applicable laws and regulations, the OHR has policies, procedures, and guidance to administer the hiring process, including, but not limited to, NCUA Instruction 1213.02 (Rev. 1) Category Rating Policy, NCUA Personnel Manual Chapter 3 - Merit Promotion, and the NCUA's Delegating Examining Unit (DEU) standard operating procedures.

NCUA's Hiring Process

OHR personnel use two systems to manage the NCUA's hiring process. First, the Recruitment/Non-Recruitment Actions Tracking System is a database located on DSC's SharePoint site. The tracker's purpose is to record the complete recruitment process. Second, USA Staffing is an OPM system that NCUA uses for advertising vacancy announcements and maintaining case files.³ OHR personnel enters the vacancy announcement into USA Staffing, which results in the announcement being posted publicly on USAJOBS.⁴ Based on the answers provided by the applicant to self-assessment questions, USA Staffing will score the applicant and put each applicant in the proper rating category. Once the announcement closes, USA Staffing will send the HR Specialist the resumes of the candidates in the best qualified category.

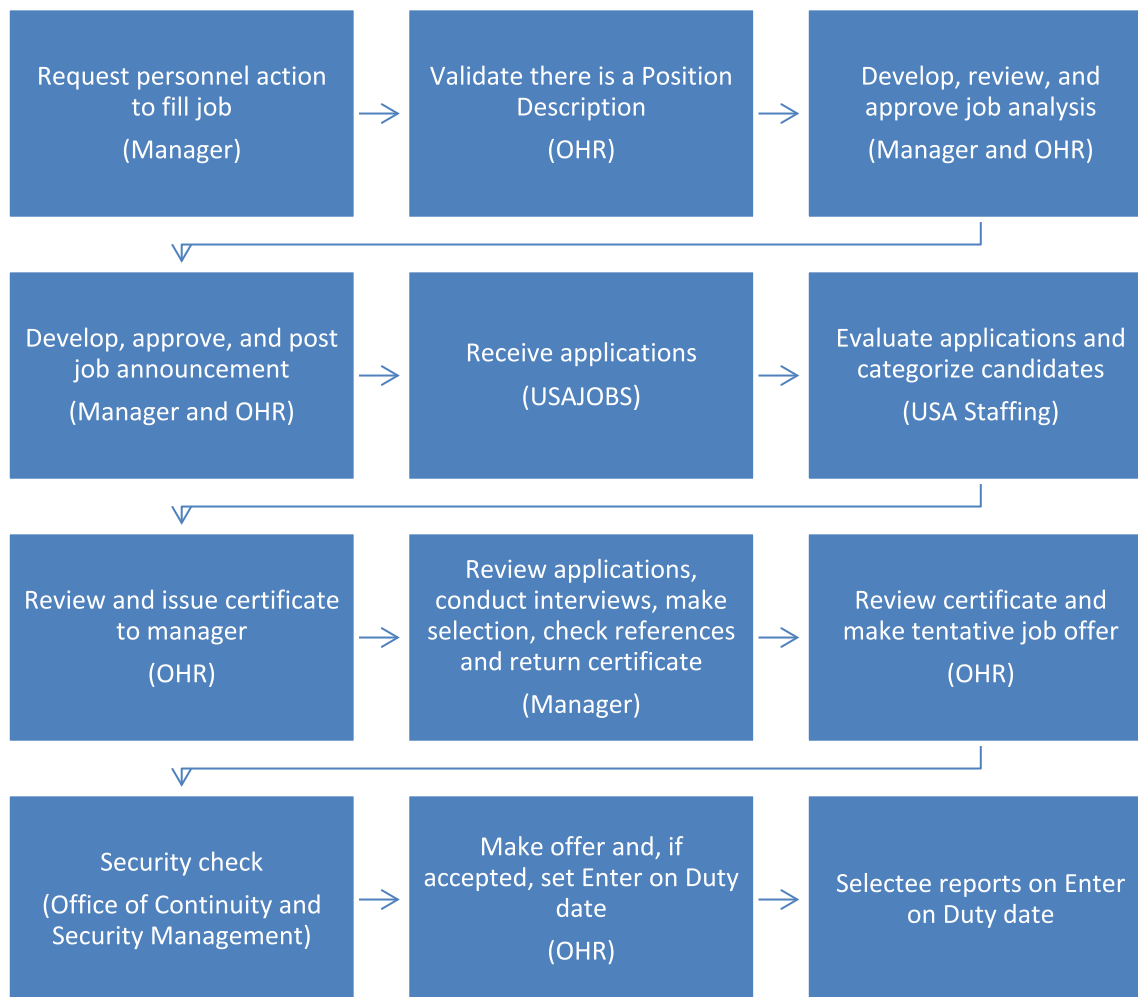
The hiring process begins when an NCUA manager submits a personnel action request to fill a position and concludes once the applicant enters on duty. Figure 1 (below) shows the hiring process steps and the responsible parties.

³ USA Staffing is the OPM's talent acquisition solution for federal agencies. The USA Staffing Program Office offers USA Staffing as an internet-based talent acquisition system that permits human resources professionals throughout the federal government to recruit, assess, certify, and onboard candidates for federal positions in compliance with appropriate federal rules and procedures.

⁴ As part of OPM, USAJOBS is the federal government's website that job seekers use to connect with federal employment opportunities.



Figure 1. NCUA Hiring Process



Prior Review

In 2020, the OPM evaluated the NCUA's delegated examining operations. The purpose of the evaluation was to assess how well NCUA's delegated examining operations adhered to federal laws, regulations, and merit system principles. The OPM concluded that the NCUA's delegated examining unit was operating in accordance with federal laws, regulations, and merit system principles. The OPM reviewed ten delegated examining case files, standard operating procedures, policies, and electronic Official Personnel Folders. In the cases reviewed, OPM determined the selections were proper, audits were conducted in a timely manner, and case files involving multiple grades, selections, and locations were well documented.



RESULTS IN DETAIL

The objectives of our audit were to determine whether the NCUA's: (1) hiring practices were in accordance with OPM, NCUA, and other federal requirements, and (2) hiring processes facilitated the efficient selection of high-quality candidates to help NCUA divisions and offices meet mission requirements. Our audit determined that although the NCUA's hiring practices substantially complied with the applicable requirements, some practices need review to ensure full compliance. Our audit also determined the NCUA's hiring process facilitates the efficient selection of candidates. However, we determined the agency should validate referred candidates' qualifications prior to conducting interviews to improve the efficiency of the hiring process when using a recruiting firm. The detailed results of our audit follow.

Hiring Practices Substantially Complied with Requirements but Need Review

We determined the NCUA's hiring practices complied with applicable federal laws and substantially complied with regulations, and its own policies and procedures. The NCUA's OHR is required to adhere to federal or NCUA-specific requirements during the hiring process.

Although we identified instances of noncompliance, we determined data integrity issues within USA Staffing caused one instance, which was outside OHR's control. For the other instances of noncompliance we identified, we determined OHR personnel did not follow either federal or NCUA-specific requirements. As a result, the NCUA: (a) may have caused a contractor to be in violation of federal requirements without realizing it, (b) left candidates uninformed of the status of their applications, and (c) had an incomplete record of its hiring activities in USA Staffing.

Details

To determine whether the NCUA's hiring practices were in accordance with federal requirements, we selected a sample of 20 vacancy announcements and verified them against 19 requirements found in federal employment laws, regulations, and/or the NCUA's policies and procedures. Based on our sample, we determined that OHR personnel complied with 17 of the 19 requirements in the 20 vacancy announcements we reviewed. The following were among the 17 requirements OHR personnel fully complied with:

- Performing a job analysis of the vacant position, where applicable,
- Ensuring they kept vacancy announcements open for a period of at least five days,
- Ensuring they had delegated examining unit (DEU) certifications,
- Ensuring category rating information was in the delegated examining vacancy announcements,
- Making selections from the highest quality category; and
- Auditing the certificates returned by the selecting official.



We did not find full compliance with the following two requirements:

- NCUA's Merit Promotion Plan states the OHR is to provide timely notice to candidates of the status of their applications (received, qualified/not qualified, referred/not referred, selected/not selected). Based on our review of the vacancy case files in USA Staffing, we determined that OHR personnel did not complete all notifications and therefore did not provide timely notifications of the status of applications for 4 of the 20 vacancy announcements.

The lack of providing a timely notification to candidates left candidates uninformed as to the status of their applications. An OHR official told us that for two of the four vacancy announcements, the lack of timely notification was a result of a USA Staffing issue. The official explained that USA Staffing showed all notifications had been completed (when they had not been) and that the NCUA HR Specialist relied upon that information. For one of the two remaining vacancy announcements, the OHR official indicated the lack of notification was due to an oversight by the HR Specialist. For the other vacancy announcement, the OHR official stated notifications for Senior Staff Positions (SSP) are handled differently and that some unqualified SSP candidates had not yet received all notifications.

- NCUA's Merit Promotion Plan states the OHR is to maintain sufficient records to allow reconstruction of each merit promotion action from the request for personnel action to final selection or non-selection documents. OHR personnel provided us a list of the documents/information, if applicable, required to be in vacancy case files within USA Staffing, including a job analysis. We determined that the case files for two vacancy announcements in our sample did not contain a job analysis and the case file for one of those same vacancy announcements also did not contain the NCUA qualification statement. OHR did not have a complete record of the hiring activities for those vacancy announcements.

Our sample included a vacancy announcement with vacancy identification number (VIN) 10464430 for the NCUA's General Counsel position. For this vacancy announcement only, we reviewed compliance with 5 C.F.R. § 300.401-407 Use of Commercial Recruiting Firms and Nonprofit Employment Services, because the NCUA contracted with a commercial recruiting firm, Korn Ferry,⁵ to assist in the recruiting effort. We determined OHR officials complied with these regulations with the exception of 5 C.F.R. § 300.405, which sets out requirements for contracts with commercial recruiting firms (or nonprofit employment services). Specifically, we did not find language in the contract that: (1) required the recruiting firm to refer to the NCUA only applicants from whom the firm had not accepted fees, and (2) stated that the recruiting firm was not to imply that it was the sole or primary avenue for employment with the NCUA.

⁵ NCUA's delivery order for recruiting services was awarded to SENSE Solutions Inc. SENSE Solutions was acquired by Korn Ferry and was "doing business as" (d.b.a) Korn Ferry U.S. Consulting Services (Korn Ferry) for contracts and other purposes.



OHR personnel provided us with a list of vacancy announcements issued in 2019 and 2020 from OPM's USA Staffing website. Overall, OHR issued 280 uniquely numbered vacancy announcements numbers in 2019-2020. Our sampling plan included only selecting announcements for higher pay bands (Credit Union (CU)-14, CU-15, and SSP).⁶ We focused on these higher pay bands due to the increased risk they pose to the NCUA in terms of money (salary and benefits) and the impact decisions made through their work may have on potential reputational risk to the NCUA. We learned the OHR issued 100 vacancy announcements in 2019 and 2020 for pay bands CU-14, CU-15, and SSP. The NCUA had 65 vacancy announcements for pay bands CU-14 and CU-14/15, 20 vacancy announcements for pay band CU-15, and 15 vacancy announcements for pay band SSP.

We selected a judgmental sample of 20 vacancy announcements, which included 6 delegated examining,⁷ 2 direct hire,⁸ and 12 merit promotion announcements.⁹ We determined two of the announcements in USA Staffing (VINs 10464430 and 10843930) that we originally selected as delegated examining were found to be for excepted service positions.¹⁰ Therefore, there were four delegated examining announcements in our sample instead of six. We reviewed the two announcements for excepted service positions, so our sample size remained 20 vacancy announcements.

For the direct hire announcements, we selected two announcements for pay band CU-14. For delegated examining/excepted service announcements, we selected one announcement for the SSP pay band, one announcement for pay band CU-15, and four announcements for pay band CU-14. For merit promotion announcements, we selected two announcements for the SSP pay band, two announcements for pay band CU-15, and eight announcements for pay band CU-14.

We performed our test of vacancy announcements to determine whether the NCUA complied with laws, regulations, policies, and procedures. We reviewed documentation found on OPM's USA Staffing website, which included the USAJOBS vacancy announcement, Casefile Checklist, Job Analysis, Recruitment Action Request, applicant information, and certificates. We also obtained and reviewed emails sent from the OHR to NCUA staff for each vacancy announcement. We compared information in this documentation to the requirements in the laws, regulations, policies, and procedures that govern federal hiring practices.

⁶ The Financial Institution Reform, Recovery, and Enforcement Act of 1989 (FIRREA) exempted the NCUA from federal pay, federal job evaluation, and the Senior Executive Service. Therefore, the NCUA has its own compensation and job evaluation systems for Credit Union (CU) positions and for Senior Staff Positions (SSP), the agency's executive level positions.

⁷ Delegated examining authority is an authority the OPM delegates to agencies to fill competitive civil service jobs through a competitive process open to all U.S. citizens, including current federal employees.

⁸ Direct hire is an appointing authority that the OPM can give to federal agencies for filling vacancies when a critical hiring need or severe shortage of candidates exists.

⁹ Merit promotion announcements are open to all current and former federal employees with competitive status and certain veterans.

¹⁰ Excepted Service positions consist of those civil service positions that are not in the competitive service or the Senior Executive Service.



Below are the requirements we verified and the results of our testing effort of the NCUA's compliance with those requirements.

Job Analysis – Each employment practice¹¹ shall be based on a job analysis to identify: (1) basic duties and responsibilities, (2) knowledges, skills, and abilities required to perform the duties and responsibilities, and (3) factors that are important in evaluating candidates.¹² For four announcements/case files, a job analysis was not applicable because the positions were either Senior Staff or Excepted Service positions. Based on our review of documents in USA Staffing, we determined OHR personnel completed a job analysis where applicable. Specifically, 14 of the 16 announcements/case files we reviewed in USA Staffing included the job analysis document. For the two other announcements/case files, the Recruitment Action Request documented that a job analysis had been completed, even though the job analyses themselves were not within the files.

OPM Notification – An agency must provide OPM vacancy announcement information for every vacant position in the agency in the competitive service or the Senior Executive Service when an agency seeks applications outside its permanent competitive service workforce.¹³ An agency must also provide OPM this information when filling any vacancy under the agency's merit promotion procedures when it is accepting applications from outside its permanent competitive workforce.¹⁴ We determined that OHR personnel notified OPM as required. Without exception, we found a link to OPM's USAJOBS website in the NCUA case files located on the OPM's USA Staffing website for all 20 vacancy announcements. Although the 2020 initiative to fill the General Counsel position used a job announcement, the 2019 initiative to fill the General Counsel position did not. OHR personnel told us that because the General Counsel position was an excepted service position, the 2019 initiative was exempt from the requirement to notify the OPM. We confirmed through the OPM's website that most excepted service positions are not required to be posted to USAJOBS.gov.

Direct Hire Authority – OPM will permit an agency with delegated examining authority to use direct hire authority for positions in competitive service at the GS-15 level (or equivalent) and below, if the OPM determines that there is either a severe shortage of candidates or a critical hiring need for such positions.¹⁵ For two vacancy announcements in our sample, the NCUA used direct hire authority to fill the vacancies. The OHR used a vacancy announcement (VIN 10582761) for an open Contracting Officer position (job series 1102 - Acquisition) and a vacancy announcement (VIN 10701210) for an Open Statistician position (job series 1530 - Statistician). We determined that the NCUA had direct hire authority to fill these positions because OPM had granted government-wide direct hire authority for these particular job series on October 11, 2018, which will expire October 10, 2023.

¹¹ Employment practices are those that affect the recruitment, measuring, ranking, and selection of individuals for initial appointment and competitive promotion in the competitive service. 5 C.F.R. § 300.101.

¹² 5 C.F.R. § 300.103.

¹³ 5 U.S.C. § 3327.

¹⁴ 5 C.F.R. § 330.103.

¹⁵ 5 C.F.R. § 337.201.



Vacancy Open Period – The NCUA's Delegated Examining Unit standard operating procedure states all announcements will be opened for a minimum of five business days. We reviewed our sample's vacancy announcements' open and closed dates in the case files located in USA Staffing and without exception, we determined OHR personnel kept all of them open for more than five business days.

Delegated Examining Unit Certification – The NCUA's Delegated Examining Unit standard operating procedure states all individuals responsible for delegated examining unit activities must have completed OPM's delegated examining unit certification training, be currently certified, and, prior to the certification expiring, must take refresher training. OHR officials provided us with a list of certification dates for its personnel involved in delegated examining activities. Without exception, we determined that OHR personnel responsible for the delegated examining vacancy announcements in our sample were certified during the scope of our audit.

Required Vacancy Information – Each vacancy announcement must contain certain information (e.g., duty location, number of vacancies, qualification requirements, brief description of duties).¹⁶ Without exception, we determined that the vacancy announcements we tested had this required information by reviewing the vacancy announcements in the case files located in USA Staffing.

Category Rating Information in Vacancy – The NCUA's Delegated Examining Unit standard operating procedure states a description is required of each quality category in the job announcement. The Basis of Rating section must be used to communicate that category rating procedures will be used to rank and select candidates. It must also clearly describe how veterans' preference is applied under category rating. The NCUA's Category Rating Policy states in part "the job opportunity announcement will define the quality categories each candidate will be assessed against based on the competencies and knowledges, skills, and abilities directly related to the job." Without exception, we determined the four delegated examining vacancy announcements in our sample contained the required category rating information.

Category Rating Use – The NCUA's Category Rating Policy states three quality categories will be established for each position (best qualified, well-qualified, qualified), and assessed candidates are placed in the appropriate quality category. Without exception, we determined for the four delegated examining vacancy announcements in our sample, the OHR established the three quality categories and placed candidates in the appropriate quality category based on their category rating.

Listing of Applicants – The NCUA's Merit Promotion Plan states candidates on the best qualified list will be referred to the selecting official in alphabetical order. The NCUA's Category Rating Policy states that within each category, all qualified preference eligibles are placed ahead of non-preference eligibles, preference eligibles are listed in alphabetical order within each preference order, and qualified non-preference eligibles are also listed in alphabetical order. We determined that OHR personnel correctly listed candidates in alphabetical order on the applicant

¹⁶ 5 C.F.R. § 330.104.



lists and on the certificates. In addition, for VIN 10443258, we determined that a veteran on the best qualified list was appropriately listed as the only candidate on the best qualified certificate because non-veterans in the best qualified category could not be considered.

Returned Certificates Audited – The NCUA's Delegated Examining Unit standard operating procedure states that certificates returned by the selecting official must be audited by an OHR Delegated Examining Specialist. We determined that without exception, the Delegated Examining Specialist audited the certificates for all 20 vacancy announcements in our sample by reviewing the certificates in the case files located in USA Staffing.

Selection Reviewed by Team Lead, No Veteran Passover, High Quality Category – The NCUA's Delegated Examining Unit standard operating procedure states that prior to making a job offer, the certificate and supporting documentation is reviewed by a Team Lead to ensure the selection is in compliance. Also, Section B, Part 5, Quality Reviews on OHR's Recruitment Action Request has check boxes to indicate review and validation of selection by the Team Lead. OHR personnel told us that for every vacancy announcement, the Team Lead will review the selection of candidates prior to job offers. The NCUA's Category Rating Policy states in part that selections are to be made from the highest quality category for which there are candidates and that a veteran may not be passed over to select a non-veteran without a passover¹⁷ being submitted and sustained.

Based on our review, we determined that for 19 of 20 vacancy announcements, the Team Lead reviewed the certificates and validated the selection of the candidates. For the one announcement where we found no documented evidence that the Team Lead validated the selection (VIN 10387644), OHR personnel told us validation for the selectee was not required because the selectee was previously validated in another case file for the same position. We reviewed the case file in USA Staffing and confirmed that the selectee had been previously temporarily promoted to the same position before being permanently promoted under VIN 10387644. We found no instance where OHR personnel passed over a veteran to select a non-veteran and, when they made selections for three of the four delegated examining vacancy announcements in our sample, they were made from the highest quality category.

Selective Service Information - An executive agency must request a written statement of Selective Service registration status from each covered individual at an appropriate time during the consideration process prior to appointment.¹⁸ Without exception, we determined all 20 vacancy announcements reviewed had language stating, "If you are a male applicant born after December 31, 1959, you must certify that you have registered with the Selective Service System or are exempt from having to do so under the Selective Service Law."

Notices to Applicants - The NCUA's Merit Promotion Plan states the OHR is to provide timely notice to candidates of the status of their applications (e.g., application received, qualified/not qualified, referred/not referred, and selected/not selected).

¹⁷ A passover is a request to remove a preference eligible candidate from consideration on a particular certificate.

¹⁸ 5 C.F.R. §300.704.



We found documentation showing all notices being sent to candidates for 16 of the 20 vacancy announcements. We tested by reviewing the certificate and applicant information tabs of the case files located in USA Staffing. We determined that OHR personnel did not send out all applicable notifications to candidates of the status of their applications for four vacancy announcements and therefore did not provide timely notification. The following provides details related to these four announcements:

- VIN 10464430 – We found documentation that OHR personnel sent only the "application received" notice to candidates.
- VIN 10853004 – We found no documentation that OHR personnel sent "selected/not selected" (disposition) notices to 24 of the 40 candidates on Certificate #2.
- VIN 10656251 – Although this announcement had two certificates, we found no documentation in either certificate that OHR personnel sent disposition notices to the candidates who were not hired.
- VIN 10402370 – We found no documentation that OHR personnel sent disposition notices to the candidates who were not hired and who had received the "notice of results and of referral" notification in August 2019.

We inquired with OHR officials about these four announcements and the missing documentation to confirm whether OHR had sent required notices to the candidates. For VIN 10464430, an SSP vacancy announcement, while not documented in the case file in USA Staffing, an OHR official indicated all qualified candidates received notification via email or phone call. The official explained that notifications of candidates for SSP vacancies are handled differently because of the multiple levels of review they are subject to and the sensitivity of the position. In addition, the official stated that although some of the candidates found not to be qualified had been notified, there were still a few others who had not yet been notified.

For VINs 10853004 and 10402370, an OHR official explained that at the time, USA Staffing indicated to the HR Specialist that all notifications had been completed, when that was not the case. The official further explained that HR Specialists rely on the information that USA Staffing shows on the landing page for each case file and that they addressed the issue with their OPM USA Staffing account manager. The OHR official told us that while working within USA Staffing to try to resolve the landing page issue for VIN 10853004, the official accidentally caused USA Staffing to send out disposition notices to the 24 candidates more than seven months after OHR made the final offer to the selected candidate. For VIN 10656251, the official explained that the HR Specialist did not send out disposition notices to candidates not hired due to an oversight. For this case, the USA Staffing landing page correctly indicated that not all notices had been sent.

Documents Retained – The NCUA's Delegated Examining Unit standard operating procedure states certificates with supporting documentation must be forwarded to the Delegated Examining Specialist for audit and filing purposes.



We determined certificates and supporting documentation had been correctly forwarded to the HR Specialist by reviewing the certificates and applicant information tabs in the case files located in USA Staffing. The NCUA's merit promotion plan states the OHR is to maintain sufficient records to allow reconstruction of each merit promotion action from the Request for Personnel Action to final selection or non-selection documents. An HR official provided a list of documents/information required to be in the case file. We determined that 18 of 20 vacancy announcement case files contained the documents/information, if applicable, required to be in the case file. We determined that the case file for VIN 10866807 did not contain the Job Analysis and the case file for VIN 10626094 did not contain the Job Analysis and the applicable NCUA qualification statement. OHR personnel did not ensure the required NCUA qualification statement and/or job analysis document was in those case files and, therefore, did not have complete record of the hiring activities for those vacancy announcements.

Case File Checklist Done and/or Recruitment Action Request – An OHR official told us that for every vacancy announcement, an OHR Team Lead will use a checklist process for closing out the case file. The official also said the Recruitment Action Request and the case file checklist are both used as methods for ensuring the case file is appropriately documented. Based on our review of the case files in USA Staffing, we determined OHR personnel used a case file checklist and/or a Recruitment Action Request for all 20 vacancy announcements.

Vacancy Email to NCUA Personnel – The NCUA's Merit Promotion Plan states the OHR will ensure all NCUA employees are notified by email of all published vacancy announcements for any NCUA position. An OHR official told us that the OHR is required to send out an email except when Career Transition Assistance Plan¹⁹ and Interagency Career Transition Assistance Plan²⁰ announcements are posted. We verified that the OHR sent emails to all NCUA employees for all 20 vacancy announcements in our sample by reviewing emails provided by the NCUA's Office of the Chief Information Officer and the OHR.

Draft Vacancy Announcement Reviews - Section B, Part 5, Quality Reviews section of NCUA's Recruitment Action Request has check boxes for the Team Lead to complete to indicate the review and approval status of draft vacancy announcements. An OHR official stated that for every vacancy announcement, a Team Lead will review the vacancy announcement prior to posting to ensure all requirements are met. We identified support in the case files in 18 of 20 vacancy announcements that the Team Lead reviewed and approved the draft vacancy announcement. For the two draft vacancy announcements where we did not see support that the Team Lead reviewed them, VINs 10387644 and 10718440, the OHR official explained that Office of the Executive Director (OED) officials reviewed these draft announcements because they were SSP positions that would report to the OED. We confirmed this by reviewing the Recruitment Action Request in the case files for these two announcements.

¹⁹ An agency's Career Transition Assistance Plan provides intra agency selection priority for the agency's eligible surplus and displaced employees.

²⁰ An Interagency Career Transition Assistance Plan provides eligible displaced federal employees with interagency selection priority for vacancies in agencies that are filling positions from outside their respective permanent competitive service workforce.



Use of Commercial Recruiting Firms and Nonprofit Employment Services – As previously mentioned, for vacancy announcement, VIN 10464430, for the NCUA's General Counsel position, we reviewed the recruiting process for compliance with 5 C.F.R. § 300.401-407, Use of Commercial Recruiting Firms and Nonprofit Employment Services, because the NCUA contracted with a commercial recruiting firm to assist the OHR in the recruiting effort.

5 C.F.R. § 300.405 states in part that the contract between the agency and the commercial recruiting firm must include the qualifications requirements for the position(s) to be filled and provides that the firm or service will:

- (1) Screen candidates only against the basic qualifications requirements for the position(s) specified by the federal agency in the contract and refer to the agency all candidates who appear to meet those requirements,
- (2) Refer to the federal agency only those applicants from whom the firm or service has not accepted fees other than those permitted under §300.404(b) of this part,²¹
- (3) Not imply that it is the sole or primary avenue for employment with the federal government or a specific federal agency; and
- (4) Recruit and refer candidates in accordance with applicable merit principles and equal opportunity laws.

Based on our review of the delivery order dated August 1, 2019, we determined the statement of work included the qualification requirements for the position to be filled, that candidates would be screened against the basic qualification requirements, and that the contractor must abide by merit system principles and refrain from participating in prohibited personnel practices. However, there was no language in the statement of work that: (1) required the firm to only refer applicants from whom it had not accepted fees, and (2) the contractor was not to imply that it was the sole or primary avenue for employment with the NCUA. As a result, we determined the contract did not meet all requirements of 5 C.F.R. § 300.405.

Under 5 C.F.R. § 300.403:

An agency may use a commercial recruiting firm and/or a nonprofit employment service in recruiting for vacancies when:

- (a) The agency head or designee determines that such use is likely to provide well-qualified candidates who would otherwise not be available or that well-qualified candidates are in short supply,

²¹ 5 C.F.R. § 300.404 provides that this prohibition does not apply to registration fees paid by individuals to nonprofit employment services operated by professional organizations when the registration fee is imposed regardless of whether the registrant is referred for employment or placed.



- (b) The agency has provided vacancy notices to appropriate State Employment Service and OPM offices; and
- (c) The agency continues its own recruiting efforts.

An OHR official told us the NCUA Board Chairman at that time requested the use of an executive recruiting firm to enhance the recruitment and candidate quality for this critical position because executive recruitment firms had the capability to assess a candidate's leadership competencies. When we asked the OHR official about providing notice of vacancies, the OHR official stated notification was not required for the 2019 initiative because attorney positions (e.g., the General Counsel position) are under Schedule A, excepted service hiring authority. We confirmed that attorney positions are part of the excepted service and that most excepted service positions are exempt from the requirement of posting the vacancy announcement on USAJOBS.gov.

Regarding the NCUA's own recruiting efforts apart from the firm, the OHR official stated the NCUA created a flyer to announce the General Counsel position and posted it on NCUA.gov to notify employees. The official stated the agency also posted the flyer on LinkedIn²² and advertised it through the American Bar Association journal. Based on our review of the flyer provided by the OHR, we noted the following language: "How to Apply - Please email your resume to ExecutiveRecruitment@NCUA.gov." which confirmed the NCUA engaged in its own recruiting efforts beyond those of the commercial recruiting firm. We determined that on September 12, 2019, the NCUA sent Korn Ferry the resumes of 52 applicants it had received to review. According to the OHR official, the NCUA received these resumes because of the recruiting flyer that the agency published on its career page as well as in the American Bar Association journal in 2019. We determined the NCUA met the requirements of 5 C.F.R. § 300.403.

5 C.F.R. Subpart D § 300.402, Use of Commercial Recruiting Firms and Nonprofit Employment Services, applies to filling positions in the competitive service, positions in the excepted service under Schedules A, B, and C, and positions in the Senior Executive Service. The NCUA's General Counsel position is an attorney position, which is an excepted service position according to 5 C.F.R. § 213.3102. Therefore, we determined the NCUA complied with 5 C.F.R. § 300.402 when it used a commercial recruiting firm to assist in filling the General Counsel position.

Under 5 C.F.R. § 300.407, agencies are required to maintain records necessary to determine that using commercial recruiting firms or nonprofit employment services is cost effective and has not resulted in the violation of merit system principles or the commission of any prohibited personnel practice. We determined that the NCUA maintained the following documents: the initial delivery order and three modifications of it, the resumes the NCUA directly received as a result of the 2019 recruiting flyer, Korn Ferry's assessments of nine external and two internal candidates provided to the NCUA in October 2019, Korn Ferry report on six candidates provided

²² LinkedIn is an American business and employment-oriented online service that operates via websites and mobile apps. LinkedIn allows members to create profiles and "connect" with each other in an online social network.



to the NCUA in June 2020, Korn Ferry report on and resumes of nine finalists provided to the NCUA in July 2020, and the Board Action Memorandum dated January 13, 2021, which described the interview process, the Executive Resources Board's recommendation of candidates for the NCUA's Board consideration, and the NCUA Board's selection of a candidate to fill the position. We concluded the NCUA maintained the necessary records and fulfilled the requirements of 5 C.F.R. § 300.407.

5 C.F.R. § 300.406 states in order to use commercial recruiting firms (or nonprofit employment services), agencies are required to: (1) make known that applicants may apply directly to the Government and thus need not apply through the commercial recruiting firm or nonprofit employment service, (2) give the same consideration to candidates who have applied directly and candidates referred from the commercial recruiting firm or nonprofit employment service, and (3) follow all requirements for appointment, including veterans' preference, where applicable.

As previously mentioned, we reviewed the OHR's recruiting flyer that stated: "How to Apply - Please email your resume to ExecutiveRecruitment@NCUA.gov." The NCUA did make known that applicants could apply directly to the NCUA. Regarding the candidates in 2019, the NCUA considered applicants that applied directly to the NCUA and candidates referred by Korn Ferry. In an October 18, 2019, memo from Korn Ferry to the NCUA, Korn Ferry presented the career highlights and its assessment of nine external candidates and two internal candidates for the NCUA's consideration. We determined that three of the external candidates' resumes were not part of the 52 resumes that the NCUA had received directly and sent to Korn Ferry on September 12, 2019, which indicated Korn Ferry recruited those three candidates. Regarding requirements for appointment, as previously mentioned, the General Counsel position was an excepted service position and a delegated examining announcement was not used; because of this, veterans' preference rules did not apply. We concluded the NCUA complied with 5 C.F.R. § 406.

Overall, we concluded that the NCUA complied 5 C.F.R. § 300.402, .403, .406, and .407 related to use of commercial recruiting firms and nonprofit employment services, but did not fully comply with 5 C.F.R. § 300.405 because certain required language was not in the contract with the recruiting firm.

To help ensure the NCUA's hiring practices comply with all requirements, we are making one recommendation.

Recommendation

We recommend NCUA management:

1. Review and adjust as necessary its current practices that are meant to ensure that the NCUA fully complies with regulations, policies, and procedures governing its hiring practices, specifically:
 - Candidates receive timely notification of the status of their applications,



- Required documentation, such as the job analysis and NCUA qualification statement, are included in USA Staffing case files, and
- When contracting with a recruiting firm, all required language is included in the contract with the firm.

Management Response

Management agreed with our recommendation. Management indicated they will review and adjust as necessary their current practices. Management plans to complete this review by June 30, 2022.

OIG Response

We concur with management's planned actions.

Hiring Process Facilitates the Efficient Selection of Candidates

We determined the NCUA's hiring processes facilitated the efficient selection of high-quality candidates. OPM's End-to-End Hiring initiative, issued in March 2017, provides agencies with a "roadmap" they could use to complete the federal hiring process within a suggested timeframe of 80 days. NCUA

considered the OPM's suggestion and determined its time-to-hire goal for non-Credit Union Examiner positions should be completed within an average of 100 days and within an average of 143 days for entry-level Credit Union Examiner positions. We determined that in 2019 and 2020, the OHR came reasonably close to achieving its time-to-hire goals for non-Credit Union Examiner positions and in 2020 achieved its time-to-hire goal for entry-level Credit Union Examiner positions. As a result, we are making no recommendations for NCUA management relevant to the efficient selection of candidates.

Details

OPM's 2017 End-to-End Hiring Initiative includes "Hiring" as one the components of its End-to-End Hiring Roadmap. The Hiring Process Roadmap has "Hiring" consisting of 14 functions with a maximum number of calendar days assigned for completing each function for a total of 80 days to complete the hiring process. OPM notes that the number of days for each step within the 80-day standard is a suggested timeframe and advises agencies they may need to adjust the number of days for each step while keeping within the 80-day standard for end-to-end hiring. OPM also notes that the presented hiring process is designed for filling positions with new hires from outside the federal government into the competitive service under the agency's delegated examining authority and was not designed for filling positions under merit promotion procedures.

An OHR official informed us that the goal for hiring non-Credit Union Examiner positions is within an average of 100 days and within an average of 143 days for entry-level Credit Union Examiner positions. To determine if OHR met its time-to-hire goals, we reviewed its hiring



timeline spreadsheets for 2019 and 2020. These spreadsheets present the number of days OHR indicated was spent in each phase of the hiring process and a total for all phases for NCUA employees whose enter-on-duty date was in 2019 and 2020. OHR officials told us, and the 2019 and 2020 hiring timeline spreadsheets illustrated, the NCUA's hiring phases were as follows:

- **Phase 1 - Submission to Vacancy Open** is the number of days from the submission of an SF-52 Request for Personnel Action to the date the vacancy announcement is opened,
- **Phase 2 - Open Period** is the number of days the announcement is open,
- **Phase 3 - Applicant Review** is the number of days from the closing of the announcement to the HR Specialist issuing a certificate(s) to the hiring manager,
- **Phase 4 - Interviews to Selection Date** is the number of days from when the hiring manager receives the certificate(s) to the date he/she returns the certificate(s) to the HR Specialist with selections made,
- **Phase 5 - Selection to Tentative Offer** is the number of days from the return of the certificates to a tentative offer being made to the selected candidate(s),
- **Phase 6 - Tentative Offer to Final Offer** is the number of days from the tentative offer being made to the final offer being made to the selected candidate(s), and
- **Phase 7 - Final Offer to Enter-on-Duty** is the number of days from the final offer being made to the hired candidate's enter-on-duty date.

In reviewing the 2019 hiring timeline spreadsheet, we found there were 122 NCUA employees who had an enter-on-duty date in 2019 and were hired for non-Credit Union Examiner positions. The average number of calendar days to complete all hiring phases was 109 days for these 122 NCUA employees. While coming close, the NCUA did not meet its goal of completing all hiring phases for non-Credit Union Examiner employees within an average of 100 days or less in 2019.

We determined there were 53 NCUA employees who had an enter-on-duty date in 2019 and were hired as Credit Union Examiners. The average number of calendar days to complete all hiring phases for these employees was 151. We compared the average number of days to complete each phase of the hiring process for Credit Union Examiner positions versus non-Credit Union Examiner positions. We determined the phase with the largest disparity was Phase 3 – Applicant Review. On average, this phase for non-Credit Union Examiner positions took 14 days as compared to 51 days for the Credit Union Examiner positions. While coming close, the NCUA did not meet its goal of completing all hiring phases for Credit Union Examiner employees within an average of 143 days or less in 2019.

Our review of the 2020 hiring timeline spreadsheet identified 80 NCUA employees who had an enter-on-duty date in 2020 and were hired for non-Credit Union Examiner positions. The average number of calendar days to complete all hiring phases for these employees was 111 days.



Again, although coming close, the NCUA did not meet its goal of completing all hiring phases for non-Credit Union Examiner employees within an average of 100 days or less in 2020. In addition, we determined there were 59 NCUA employees who had an enter on duty date in 2020 and were hired as Credit Union Examiners. The average number of calendar days to complete all hiring phases for these employees was 134. We compared the average number of days to complete each phase of the hiring process for Credit Union Examiner positions versus non-Credit Union Examiner positions. We determined the phase with the largest disparity was Phase 3 – Applicant Review. On average, this phase for non-Credit Union Examiner positions took 11 days as compared to 30 days for the Credit Union Examiner positions. We determined the NCUA met its goal of completing all hiring phases for Credit Union Examiner employees within an average of 143 days or less in 2020.

We asked OHR officials why Phase 3 – Applicant Review, took longer to complete for entry-level Credit Union Examiner announcements. An OHR official told us it was due to the exponentially larger number of applications the agency receives for these recruitment efforts because they are advertised through three separate vacancy announcements for 20 to 40 plus locations at one time. The OHR official also explained that the NCUA receives approximately 1,300 to 1,500 applications for each of these Credit Union Examiner recruitment efforts. For example, in the entry-level vacancy announcements that were open at the end of December of 2020 into the beginning of January 2021, the OHR received 1,475 applications. In the March 2021 vacancy announcements, it received 1,357 applications.

Furthermore, the OHR official told us the timeline for these announcements also considers the two applicant assessment hurdles during the application process. The OPM administers and conducts a quality check on one of the assessments and must manually transform the assessment scores of a questionnaire and an online writing assessment before the OHR can prepare and issue referral certificates. Also, there are between 250 and 400 certificates that are issued for each round of recruitments, depending on the number of locations advertised in the vacancy announcement. Each of these referral certificates must be quality reviewed by OHR personnel. OHR officials added that there are a large number of certificates because the announcements cover three grade levels for these entry-level Credit Union Examiner positions.

OHR officials told us the reasons that the time-to-hire goals for Credit Union Examiner and non-Credit Union Examiner positions are not always met include delays by the hiring manager in performing interviews or returning the certificate, NCUA executives not approving SSP vacancy announcements in a timely manner, delays in the completion of the background check by the Office of Continuity and Security Management of the selected candidate (usually when the candidate is new to the federal government), and when the new hire is a transfer from another agency, delays obtaining information/records from the former agency.

When asked what actions OHR has taken to meet the time-to-hire goals, OHR officials said they implemented an efficiency change in the assessment process in June 2020 for entry-level Credit Union Examiner announcements, which has made a positive impact on OHR's time-to-hire statistics. The change involved OHR not reviewing qualifications of applicants until after the applicants had completed the assessments.



This resulted in fewer applicants for OHR to review for proper qualifications. The OHR previously reviewed qualifications for all applicants before the applicants completed the assessments. The average time-to-hire for Credit Union Examiner positions in 2019 was 151 days; for 2020, it was 134 days. OHR officials indicated they are currently completing an analysis of this to look for efficiencies and a possible revision to the 143-day goal and noted they continually look at ways to shorten the time-to-hire.

Regarding the efficient selection of quality candidates, we identified the OHR's monitoring of its goal to complete the hiring process within an average of 100 days or less (for non-Credit Union Examiner positions) and an average of 143 days or less (for entry-level Credit Union Examiner positions) as a significant internal control. Specifically, we determined that time-to-hire data is monitored by OHR personnel and shared with NCUA management. OHR personnel monitor the goal by generating and providing management a report. OHR officials provided, and we reviewed, the time-to-hire reports for the four quarters of 2020. OHR personnel said the quarterly reports are reviewed by OHR management and shared with other NCUA managers at the OHR's quarterly meetings. NCUA management at these meetings includes Office Managers, Associate Regional Directors - Operations, Associate Regional Directors - Programs, and mid-level managers. We confirmed that the agendas for these OHR meetings did include time-to-hire data as a subject of the meetings. OHR's Director also told us she meets with the NCUA Regions monthly and the discussion includes time-to-hire data. Attendees at these meetings include the Regional Director, Associate Regional Director – Operations, Associated Regional Director – Programs, and staff from the Division of Management Services.

**Validation of
Referred Candidate's
Qualifications Needed**

We determined the NCUA did not validate the qualifications of General Counsel candidates the recruiting firm had referred to the agency before the Executive Resources Board and the NCUA Board conducted interviews of the candidates. As a result, NCUA's executive leadership interviewed a candidate who did not qualify for the SSP-02 level, which prompted a former Board

member participating in the interview process to call into question the qualifications and experience of several other candidates. This occurred because OHR personnel did not request SF-50 documentation from the candidates early in the hiring process. Ultimately, this and other contributing factors resulted in the agency not selecting a candidate to fill the General Counsel position until January 2021, after beginning the hiring process in June 2019.

Details

The General Counsel vacancy was part of our sample of 20 vacancy announcements we reviewed for compliance with laws, regulations, policies, and procedures. Prior to this audit, the OIG was made aware of concerns raised about the General Counsel recruitment efforts from emails between a former Board member and the Director of OHR, which were forwarded to the Inspector General in 2019. Because of these concerns and that the General Counsel recruiting efforts took approximately one and a half years to complete, we reviewed NCUA's recruiting efforts that took place in 2019 and 2020 to determine what caused the concerns and whether they had merit.



The NCUA's recruiting efforts for the General Counsel position started in June 2019 when the OHR placed a recruitment flyer in the American Bar Association Journal and posted a copy of the same flyer on the NCUA.gov and LinkedIn websites. On July 19, 2019, the NCUA issued a Request for Quote for the HR services of a recruitment firm to perform an executive search to fill the General Counsel position. The Request for Quote included the statement of work dated July 19, 2019. On August 1, 2019, the NCUA awarded the contract to SENSEA Solutions Inc. at a firm fixed price of \$74,973. The contract stated SENSEA Solutions was to perform the search in accordance with the statement of work and the Period of Performance ran from August 1 to December 31, 2019. The candidate was to be in place no later than November 25, 2019 and the tasks listed in the statement of work were to be performed and completed to support this onboarding date to include top candidates provided to the NCUA no later than October 17, 2019. As previously noted, SENSEA Solutions was acquired by Korn Ferry.

On September 12, 2019, an OHR official sent Korn Ferry the resumes of 52 applicants to review which had been received by the NCUA as a result of the recruiting flyer the agency had published. On October 18, 2019, Korn Ferry sent the NCUA a memorandum that presented the career highlights and Korn Ferry's assessment of nine external candidates and two internal candidates that it determined met the NCUA's full criteria. Korn Ferry recommended the NCUA offer an initial review to four to five of the external candidates along with interviewing the two internal candidates. NCUA's Executive Resources Board interviewed seven candidates from October 24-25, 2019, and through a memorandum dated October 29, 2019, summarized the candidates' experience including how well they interviewed and why they were referred. The Executive Resources Board memorandum recommended to the Board that it interview two to four of the candidates based on the interviews and material provided. On November 18, 2019, the NCUA Board conducted interviews of some of the candidates. Afterwards, the agency cancelled the interviews scheduled for November 19, 2019.

A former Board member who participated in the November 18, 2019, interviews shared with the Director of OHR the following perspectives about the recruitment effort, although he also recognized that there was a very aggressive timetable for filling the position:

- The second round of interviews should not proceed and that the hiring process should start anew,
- Korn Ferry's top two candidates had virtually no experience with the regulation of financial institutions and were therefore not qualified to interview for the position,
- OHR and Korn Ferry should have determined whether each candidate was qualified to interview for and serve as the NCUA's next General Counsel before proceeding with further diligence, and
- Fundamental, kick-out, inquiries should not have remained until after the NCUA had invested substantial agency resources in vetting unqualified candidates.



The OHR Director responded:

- It was not until the OHR requested pay and SF-50 B Personnel documentation from the candidates that it determined that one candidate did not qualify for the SSP-02 level,
- OHR did not request this documentation earlier because it did not use the normal SSP hiring process,
- The General Counsel is an excepted position and consequently there were flexibilities like not using USAJOBS,
- OHR and OED would have performed candidate validation prior to any final offer,
- Tight timelines and the desire to move the recruitment quickly caused the OHR to rely heavily upon the vendor and to push them to provide candidates; and
- The vendor went to market very quickly and turned around deliverables very quickly.

OHR officials told us that Korn Ferry was responsible for evaluating the candidates and coordinating qualifications and leadership assessments for the General Counsel recruitment per the contract with the NCUA, and, as a part of the validation process, OHR personnel requested SF-50 B information and determined that the candidate did not meet the SSP-02 executive level experience. Korn Ferry was not responsible for collecting this information.

For the 2020 General Counsel recruitment initiative, on March 11, 2020, the NCUA modified the contract with Korn Ferry, which extended the Period of Performance to July 31, 2020 and revised the statement of work. Under the revised statement of work, Korn Ferry was responsible for directing candidates to apply through USAJOBS, administering assessments to candidates to evaluate key leadership competencies, evaluating candidates based on assessments and pre-interview processes, and providing results of its evaluations to the OHR. On March 12, 2020, the NCUA posted the General Counsel vacancy announcement to USAJOBS with a closing date of April 16, 2020. In July 2020, Korn Ferry provided the NCUA a list of nine finalists, interview questions, candidate resumes, and candidate reports.

Because the qualifications and experience of the General Counsel candidates were questioned in 2019, we compared the desired qualifications stated in the 2019 Korn Ferry contract's statement of work with the NCUA's 2020 vacancy announcement. We found the following differences in the qualification criteria.

- The 2020 vacancy announcement had "one year of experience at or equivalent to SS-01/SES level" as a candidate requirement. In contrast, the 2019 statement of work did not mention the need to have a certain amount of experience at a particular level as part of its qualifications statement.



- The 2020 vacancy announcement required experience in various legal disciplines, including “financial depository institutions (banking, credit unions).” The 2019 statement of work also required having experience in various legal disciplines, including “financial institutions, banking” but without the vacancy announcement’s additional words of “depository” and “credit unions.”
- The 2020 vacancy announcement required “Technical/Professional Qualification: Skill with interpreting Credit Union and/or banking laws and regulations and experience with financial depository institutions, specifically banks, credit unions or thrifts.” The statement of work stated that “the TQ (technical qualifications) is defined as skill with interpreting credit union or banking laws and regulations” but did not include experience with financial depository institutions, specifically banks, credit unions or thrifts, as part of the technical qualifications.

Between December 7-9, 2020, the NCUA's Executive Resources Board interviewed seven candidates. On Dec. 21, 2020, the Executive Resources Board sent a memorandum to the NCUA Board that summarized the Executive Resource Board’s recommendation for the Board’s consideration. The Executive Resources Board recommended that five candidates receive further consideration. During the period of December 28, 2020 through January. 7, 2021, the Board interviewed the five candidates. On January 13, 2021, NCUA’s Executive Director issued a Board Action Memorandum that indicated a majority of the Board decided to select one of the candidates.

Because OHR personnel did not request SF-50 documentation from the candidates early on in the process, NCUA officials could not validate the qualifications of General Counsel candidates the recruiting firm had referred to the agency before the Executive Resources Board and the NCUA Board conducted interviews of the candidates. This caused a Board member participating in the interviews to question the qualifications and experience of not only that candidate but also several other candidates. As a result of this and, according to NCUA management, other contributing factors, the agency halted the hiring process in December 2019 and did not resume the process until March 12, 2020, when the NCUA posted a vacancy announcement for the General Counsel position on USAJOBS.

From the publication of the recruiting flyer to the selection date of a candidate, it took the NCUA approximately one and a half years to fill the General Counsel position. Although OHR's and Korn Ferry’s efforts in 2019 put the agency on track to fill the position in 2019, the discovery that one interviewed candidate did not qualify at the SSP-02 level and the former Board member questioning the qualifications and experience of that candidate as well as several others, resulted in the 2019 recruiting process being halted. Ultimately, the NCUA did not complete the hiring process for the General Counsel position until January 13, 2021, when a candidate was selected.

Although we recognize that the NCUA does not routinely use recruiting firms to assist in filling vacant positions, if the NCUA decides to use a recruiting firm in the future, we are making one suggestion to correct the internal control weakness we identified during our review of this recruiting effort.



Suggestion

We suggest NCUA management:

1. When using a recruiting firm to assist in efforts to fill vacancies, ensure that Office of Human Resources personnel validate referred candidates' qualifications prior to the Executive Resources Board and the NCUA Board reviewing assessments and conducting interviews of the candidates.

Management Response

Management agreed with our suggestion. Management indicated they will ensure qualifications of candidates are reviewed prior to candidates being interviewed by the Executive Resources Board or any deciding official.

OIG Response

We concur with management's planned action.



Appendix A

OBJECTIVES, SCOPE, AND METHODOLOGY

We developed our objectives for this engagement based on OIG's 2021 Annual Performance Plan. Specifically, our objectives were to determine whether the NCUA's:

- Hiring practices are in accordance with OPM, NCUA, and other federal requirements; and
- Hiring process facilitated the efficient selection of high-quality candidates to help the NCUA divisions and offices meet mission requirements.

To accomplish our audit, we performed fieldwork with information obtained from the NCUA Office of Human Resources. The scope of this audit focused on NCUA vacancy announcements issued from January 2019 through December 2020. To achieve our objectives, we:

- Reviewed laws and regulations relevant to hiring practices.
- Reviewed relevant OHR policies, procedures, and guidance, including, but not limited to NCUA Instruction 1213.02, Category Rating Policy, NCUA Personnel Manual Chapter 3 - Merit Promotion, and NCUA's Delegating Examining Unit (DEU) Standard Operating Procedures.
- Interviewed Office of Human Resources personnel.
- Obtained an understanding of the NCUA's hiring process.
- Obtained a listing of all vacancy announcements issued from January 1, 2019 through December 31, 2020.
- Reviewed a judgmental sample of 20 vacancy announcements for CU-14, CU-15, and SSP vacancies to determine if the NCUA's hiring practices were in accordance with laws, regulations, policies, and procedures.
- Reviewed documentation in OPM's USA Staffing system for each of the 20 vacancy announcements.
- Reviewed emails sent out by the Office of Human Resources to NCUA staff regarding the 20 vacancy announcements.
- Obtained hiring timeline data for NCUA employees whose enter-on-duty date was in 2019 or 2020.



- Reviewed hiring timeline data to determine if the NCUA met its goal of completing the hiring process within an average of 100 days for non-Credit Union Examiner positions and within an average of 143 days for entry-level Credit Union Examiner positions.
- Evaluated internal controls.

We used computer-processed data from OPM's USA Staffing website. Because USA Staffing is an OPM system, we did not evaluate information system controls of USA Staffing. However, we reviewed the results of OPM-OIG's Audit of the Information Technology Security Controls of the U.S. Office of Personnel Management's USA Staffing System, Report Number 4A-HR- 00-18-013, May 10, 2018. OPM-OIG's stated the objective was to perform an audit of the security controls for the USA Staffing System to ensure OPM's Office of Chief Information Officer (OCIO) and Human Resources officials had implemented Information Technology security policies and procedures in accordance with standards established by the Federal Information Security Modernization Act, the National Institute of Standards and Technology, the Federal Information System Controls Audit Manual and the OPM's OCIO. The audit determined that:

- The security categorization of the USA Staffing System is consistent with Federal Information Processing Standards 199 and National Institute of Standards and Technology Special Publication (SP) 800-60, and OIG agreed with the categorization of "moderate."
- The OPM completed a Privacy Impact Assessment for the USA Staffing System.
- The System Security Plan for the USA Staffing System follows the OCIO template, but the system inventory includes instances of unsupported software.
- An independent assessor conducted security controls testing and assessed identified risks for the USA Staffing System.
- The USA Staffing System has been subject to routine testing as part of the OPM's continuous monitoring program.
- The OPM developed and tested a contingency plan for the USA Staffing System that is generally in compliance with National Institute of Standards and Technology SP 800-34, Revision 1, and the OCIO guidance.
- The USA Staffing System Plan of Action and Milestones documentation from the most recent Authorization does not include all identified weaknesses.
- Most of the security controls tested appear to be in compliance, although the OPM-OIG noted two areas for improvement.

OPM-OIG made four recommendations and OPM management concurred with all four.



We conducted this audit from January 2021 through January 2022 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



Appendix B

NCUA MANAGEMENT RESPONSE



National Credit Union Administration
Office of the Executive Director

TO: Inspector General James Hagen
FROM: Executive Director Larry Fazio LARRY FAZIO Digitally signed by LARRY FAZIO Date: 2022.01.10 15:13:43 -0500
SUBJ: Management Response – OIG Audit of the NCUA's Hiring Practices
DATE: January 10, 2022

We reviewed the Office of Inspector General's draft audit report titled *Audit of the NCUA's Hiring Practices*. We agree with the recommendation and suggestion.

OIG Recommendation: Review and adjust as necessary its current practices that are meant to ensure that the NCUA fully complies with regulations, policies, and procedures governing its hiring practices, specifically:

- Candidates receive timely notification of the status of their applications,
- Required documentation, such as the job analysis and NCUA qualification statement, are included in USA Staffing case files, and
- When contracting with a recruiting firm, all required language is included in the contract with the firm.

Management Response: We agree and will complete this review and make any necessary adjustments by June 30, 2022.

OIG Suggestion: When using a recruiting firm to assist in efforts to fill vacancies, ensure that Office of Human Resources personnel validate referred candidates' qualifications prior to the Executive Resources Board and the NCUA Board reviewing assessments and conducting interviews of the candidates.

Management Response: We agree and will ensure qualifications of candidates are reviewed prior to candidates being interviewed by the Executive Resources Board or any deciding official.

Thank you again for the opportunity to comment.

1775 Duke Street – Alexandria, VA 22314-6113 – 703-518-6360



Appendix C

ACRONYMS AND ABBREVIATIONS

Acronym	Term
CU	Credit Union
DEU	Delegating Examining Unit
DSC	Division of Staffing and Classification
HR	Human Resources
Korn Ferry	Korn Ferry U.S. Government Consulting Services
NCUA	National Credit Union Administration
OCIO	Office of Chief Information Officer
OED	Office of the Executive Director
OHR	Office of Human Resources
OIG	Office of Inspector General
OPM	Office of Personnel Management
SSP	Senior Staff Position
VIN	Vacancy Identification Number