



# **Executive Summary:**

## **The Board Can Enhance Its Diversity and Inclusion Efforts**

2015-MO-B-006

March 31, 2015

### **Purpose**

The Office of Inspector General conducted this audit in response to a congressional request for information on the Board of Governors of the Federal Reserve System's (Board) activities related to diversity and inclusion. Our objective was to assess the Board's human resources-related operations and other efforts to provide for equal employment opportunities, including equal opportunity for minorities and women to obtain senior management positions, and increase racial, ethnic, and gender diversity in the workforce.

### **Background**

Section 10 of the Federal Reserve Act (12 U.S.C. § 244) grants the Board broad authority and independence over matters of employment. As such, the Board is generally not subject to the personnel provisions of title 5 of the *United States Code*, including those relating to recruiting and hiring, performance management, promotions, and employee satisfaction surveys. However, as part of its employment rules, the Board has adopted equal employment opportunity (EEO) provisions that prohibit employment discrimination, including provisions of the No FEAR Act.

The Dodd-Frank Wall Street Reform and Consumer Protection Act required the Board to establish an Office of Minority and Women Inclusion that is responsible for all agency matters relating to diversity in management.

### **Findings**

The Board has established diversity and inclusion practices that are embedded in its longstanding EEO programs. Recent activities include adopting a more standardized process for recruiting officers, developing a formal agency-wide succession planning program to help identify a diverse pool of candidates for senior management positions, and conducting an agency-wide employee survey.

We identified areas of the Board's diversity and inclusion efforts that can be enhanced. First, the Board can enhance its efforts to track and analyze certain types of workforce data that can be used to identify diversity and inclusion trends. Second, the Office of Diversity and Inclusion can increase its interaction with all Board divisions and provide diversity and inclusion and EEO training on a regular basis. Third, the Board should formalize standards for equal employment opportunity and the racial, ethnic, and gender diversity of the workforce to fully comply with section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Fourth, the Board can further enhance its diversity and inclusion goals and objectives by finalizing and implementing its diversity strategic plan.

We acknowledge that initiatives and activities that are beyond the scope of our review also contribute to enhancing diversity and inclusion. Therefore, the Board's ability to attract, develop, and retain a diverse and inclusive workforce is affected by other factors not specifically identified in our report.

### **Recommendations**

Our report contains recommendations designed to enhance and promote diversity and inclusion at the Board. In its response to our draft report, the Board concurs with our recommendations and outlines planned, ongoing, and completed activities. The Board has taken steps to improve the collection of applicant demographic data, provide non-EEO statistics, and finalize the diversity and inclusion strategic plan. In addition, the Board plans to enhance certain functions within the Office of Diversity and Inclusion.