



May 2016

# CONSUMER FINANCIAL PROTECTION BUREAU

## Additional Actions Needed to Support a Fair and Inclusive Workplace

# GAO Highlights

Highlights of [GAO-16-62](#), a report to congressional requesters

## Why GAO Did This Study

The Dodd-Frank Wall Street Reform and Consumer Protection Act created CFPB to regulate the provision of consumer financial products and services. In 2014, congressional hearings included testimony from CFPB employees about allegations of discrimination and retaliation, which raised concerns about CFPB's management practices and culture.

GAO was asked to review personnel management and organizational culture issues at CFPB. This report examines (1) CFPB employees' views on these issues and (2) CFPB's efforts to strengthen personnel management and culture, among other objectives.

GAO reviewed relevant CFPB reports, policies, procedures, and other documents; surveyed CFPB employees and executives (with 62 and 63 percent response rates, respectively) to gather their views on CFPB's personnel practices and organizational culture; spoke with CFPB employees who contacted GAO through its phone and email hotlines; interviewed CFPB officials; and reviewed reports and recommendations from the Office of the Inspector General for the Board of Governors of the Federal Reserve System and CFPB.

## What GAO Recommends

GAO makes two recommendations to improve CFPB's personnel management efforts, including developing a strategy for reporting on progress and creating feedback tools on its grievance processes in coordination with its employee union. CFPB concurred with both recommendations.

View [GAO-16-62](#). For more information, contact Daniel Garcia-Diaz at (202) 512-8678 or [garciadiazd@gao.gov](mailto:garciadiazd@gao.gov)

May 2016

## CONSUMER FINANCIAL PROTECTION BUREAU

### Additional Actions Needed to Support a Fair and Inclusive Workplace

## What GAO Found

Nonexecutive employees at the Consumer Financial Protection Bureau (CFPB) who responded to GAO's survey identified strengths and areas for improvement in CFPB's personnel practices and culture. Most respondents agreed that enthusiasm for CFPB's mission is high and that immediate supervisors respect and value differences among individuals. However, GAO's survey found heightened concerns related to fair treatment, trust that employees can raise concerns without fear of reprisal, confidence in complaint processes, and other matters. For survey items on these issues, more than 25 percent of respondents bureau-wide had unfavorable views, and dissatisfaction was above 35 percent in some CFPB offices and demographic groups. For example, about one-third of respondents disagreed with the statement that success at CFPB is based more on merit than on personal connections or favoritism. Disagreement was 40 percent or more for a few offices that focus on examining institutions and among black respondents.

As part of ongoing improvement efforts and in response to challenges it identified in late 2013 and early 2014, CFPB has worked to strengthen personnel management practices and enhance its diversity and inclusion efforts. In part to address weaknesses in personnel practices that may have contributed to perceptions of unfair treatment, CFPB has expanded management training, developed new guidance on personnel practices, and developed a new performance management system. CFPB has made progress in adopting leading diversity management practices identified in prior GAO work, such as finalizing a diversity strategic plan, creating employee diversity groups, and expanding diversity training. In addition, CFPB launched a new initiative to strengthen its organizational culture that includes obtaining employee input on ideas for improving CFPB's culture and addressing employee concerns. Finally, CFPB has strengthened its employee complaint processes by providing new training and guidance and creating feedback mechanisms to help evaluate progress in some areas.

CFPB has taken steps to measure and communicate progress on these efforts, such as through its process for analyzing feedback from employee surveys. However, without additional steps in these areas, CFPB may miss opportunities to help ensure sustained commitment and accountability for its initiatives.

- CFPB's diversity, inclusion, fairness, and culture efforts represent a significant change management initiative, but CFPB does not comprehensively report on its implementation goals and progress across these efforts.
- CFPB has created some feedback mechanisms to evaluate the effectiveness of its equal employment opportunity complaint process, but has not done the same for its employee grievance processes.

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### **Abbreviations**

CFPB	Consumer Financial Protection Bureau
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
EEO	Equal Employment Opportunity
EEOC	Equal Employment Opportunity Commission
Inspector General	Office of the Inspector General of the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau
MSPB	Merit Systems Protection Board
No FEAR Act	Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002
OMWI	Office of Minority and Women Inclusion
OPM	Office of Personnel Management
SEFL	Supervision, Enforcement, and Fair Lending
Treasury	Department of the Treasury

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May 19, 2016

Congressional Requesters

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) created the Bureau of Consumer Financial Protection, also known as the Consumer Financial Protection Bureau (CFPB), to regulate the offering and provision of consumer financial products or services under the federal consumer financial laws.<sup>1</sup> The act consolidated many of the consumer financial protection authorities previously shared by seven federal agencies into one. It also provided CFPB additional authorities related to supervising and enforcing federal consumer financial laws; handling consumer complaints; promoting financial education; and monitoring financial markets for risks to consumers. CFPB began operations on July 21, 2011, and its first director was appointed on January 4, 2012, and confirmed by the United States Senate on July 16, 2013.

In December 2013, CFPB identified disparities in employees' performance ratings for fiscal year 2013 by race, age, and office location. In January 2014, CFPB management shared these findings with the CFPB employee union, and in March and May 2014, it shared reports summarizing ratings distributions and plans to address disparities with all employees. In March 2014, a press article reported on these ratings disparities and other alleged personnel matters.<sup>2</sup> The House Financial Services Committee began an investigation into these matters and from April 2014 through June 2015 its Subcommittee on Oversight and Investigations held a series of hearings that included testimony by five CFPB employees about allegations of discrimination and retaliation.<sup>3</sup> Seven other CFPB employees provided the committee with anonymous

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<sup>1</sup>Pub. L. No. 111-203, § 1011(a), 124 Stat. 1376, 1964 (2010).

<sup>2</sup>Rachel Witkowski, "CFPB Staff Evaluations Show Sharp Racial Disparities," *American Banker* (Mar. 6, 2014).

<sup>3</sup>On April 2, 2014, the Subcommittee on Oversight and Investigations held the first hearing, titled "Allegations of Discrimination and Retaliation within the Consumer Financial Protection Bureau." On May 21, 2014, June 18, 2014, July 30, 2014, and June 25, 2015, this subcommittee held additional hearings on these matters.

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written statements about their allegations of unfair treatment by CFPB managers. On the basis of personal accounts these and other CFPB employees shared with Congress, members of Congress raised questions about the level of trust between CFPB's management and employees and the health of CFPB's organizational culture.

You asked us to review personnel management and the organizational culture at CFPB. In this report, we examine (1) CFPB's early efforts as a new agency to establish personnel practices and organizational culture and challenges it encountered in promoting a diverse, inclusive, and fair workplace; (2) employees' views on personnel management and organizational culture at CFPB; and (3) CFPB's efforts to strengthen its personnel management practices and organizational culture.

To describe CFPB's early efforts as a new agency to establish personnel practices and an organizational culture, we reviewed CFPB reports and documents, and testimony and public statements by CFPB officials. We obtained and analyzed CFPB workforce data for fiscal years 2011 to 2015 to describe the growth in CFPB's workforce. We also reviewed data and documentation related to CFPB's initial efforts to identify and address specific personnel challenges. For example, we reviewed a 2013 report by a management consulting firm on CFPB's diversity and inclusion efforts and CFPB's internal analysis of disparities in performance ratings by race and other factors. In addition, to describe trends in the number and basis of employee complaints, we obtained and analyzed CFPB data for fiscal years 2011 to 2015 on Equal Employment Opportunity (EEO) complaints and grievances. To describe employee perspectives on challenges CFPB faced as a new agency, we reviewed the report by CFPB's Office of Minority and Women Inclusion (OMWI) on listening sessions it held with employees from April through June 2014. We also interviewed current and former CFPB officials who were employed at CFPB in its first 2 years.

We obtained CFPB employees' views on personnel management and organizational culture through interviews with current and former employees and two web-based surveys. To identify key issues and concerns related to CFPB's personnel management practices and organizational culture and to inform survey development, we provided opportunities for all CFPB employees to meet or communicate with us individually in a confidential manner. We set up a GAO toll-free phone number and e-mail address for CFPB employees to use to arrange a meeting with our team or provide information. From August 2014 through May 2015, we held one-on-one interviews with 120 nonsupervisory and

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supervisory staff. We implemented two web-based surveys of all 1,389 nonexecutive employees and 57 executive employees as of January 31, 2015.<sup>4</sup> The survey response rates were 62 percent and 63 percent, respectively. For the nonexecutive survey, we carried out a statistical nonresponse bias analysis using available administrative data and determined that we could not assume the nonrespondents were missing at random. We found that the propensity to respond was statistically correlated with employee age and the CFPB division an employee worked in. Furthermore, we observed that responses to questions on the survey also correlated with employee age. For this reason, the results of the staff survey are presented as tabulations from a census survey. We do not make any attempt to extrapolate the findings to the 38 percent of eligible staff who chose not to complete our survey. Survey results that this report presents for CFPB employees who responded must not be taken to be representative of the proportion of the total CFPB population (or the total population of an office or demographic group) who would have agreed or disagreed with a survey question. For more information about the methodology for our surveys, see appendix I. We reviewed CFPB's annual employee survey results for fiscal years 2013, 2014, and 2015 to obtain additional perspectives from CFPB staff on the bureau's personnel management-related issues. In addition, we reviewed documents and data from the Office of Personnel Management (OPM) and the Merit Systems Protection Board (MSPB) to provide information about the views of federal government employees on these issues.<sup>5</sup> We assessed the reliability of these survey data by reviewing documentation of the methodology for these surveys and found these survey data to be reliable for our purposes.

To evaluate CFPB's efforts to develop and strengthen its personnel management and organizational culture, we reviewed relevant CFPB reports, policies, procedures, and other documents. We used criteria from applicable federal regulations, leading practices for diversity and

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<sup>4</sup>For the purposes of this report, we defined CFPB executives as employees at pay grade 80 or higher. According to CFPB officials, executive positions at pay grade 80 or above are comparable to positions in the Senior Executive Service at other federal agencies. Based on this definition, CFPB executives include the Director, heads of divisions and offices, and their deputies.

<sup>5</sup>The Merit Systems Protection Board is an independent quasi-judicial agency in the executive branch that adjudicates employee appeals of personnel actions and conducts studies of the federal merit system.



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managing organizational change identified in prior GAO reports, and GAO standards for internal control.<sup>6</sup> To assess CFPB's efforts to improve diversity and inclusion throughout the bureau, we reviewed the results of external reviews of CFPB's diversity and inclusion efforts conducted by the Office of the Inspector General of the Board of Governors of the Federal Reserve System and CFPB (Inspector General) and a management consulting firm. We reviewed CFPB documentation and interviewed CFPB officials about efforts to strengthen personnel management and organizational culture, including the status of CFPB's implementation of recommendations made by its OMWI and the Inspector General. To assess CFPB's efforts to strengthen its processes for addressing employee complaints, we reviewed policies, procedures, and guidance related to EEO complaints and grievances. We also interviewed CFPB officials from the offices responsible for these complaint processes. For the parts of our work that involved the analysis of computer-processed data, we assessed the reliability of these data and found that they were sufficiently reliable for our purposes. Data sets for which we conducted data reliability assessments include CFPB data on its workforce demographics and CFPB data on employee complaints. To assess the reliability of these data, we reviewed relevant documentation and conducted interviews with CFPB staff to review steps they took to collect and ensure the reliability of the data. In addition, we electronically tested data fields for missing values, outliers, and obvious errors. We determined that these data were sufficiently reliable for our purposes.

We conducted this performance audit from September 2014 to May 2016 in accordance with generally accepted government auditing standards. 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.

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<sup>6</sup>GAO, *Diversity Management: Expert-Identified Leading Practices and Agency Examples*, [GAO-05-90](#) (Washington, D.C.: Jan. 14, 2005), *Aviation Acquisition: A Comprehensive Strategy Is Needed for Cultural Change at FAA*, [GAO/RCED-96-159](#) (Washington, D.C.: Aug. 22, 1996); *Results Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, [GAO-03-669](#) (Washington, D.C.: July 2, 2003), and *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

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## Background

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### CFPB's Mission, Organizational Structure, and Workforce Demographics

CFPB defines its mission as helping consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives.

CFPB's strategic plan articulates four broad goals:

- Prevent financial harm to consumers while promoting good practices that benefit them.
- Empower consumers to live better financial lives.
- Inform the public, policy-makers, and CFPB's own policy-making with data-driven analysis of consumer finance markets and consumer behavior.
- Advance CFPB's performance by maximizing resource productivity and enhancing impact.

CFPB was established as an independent bureau within the Federal Reserve System. According to CFPB data, CFPB had 646 employees as of September 30, 2011, and by March 31, 2015, had grown to 1,437 employees. CFPB built its workforce by hiring employees with a range of backgrounds, including the public, private, and nonprofit sectors, and the military. Under an employee transfer process outlined in the Dodd-Frank Act, CFPB hired more than 200 employees as transfers from six of the federal agencies from which it assumed some regulatory and enforcement responsibilities under the act.<sup>7</sup>

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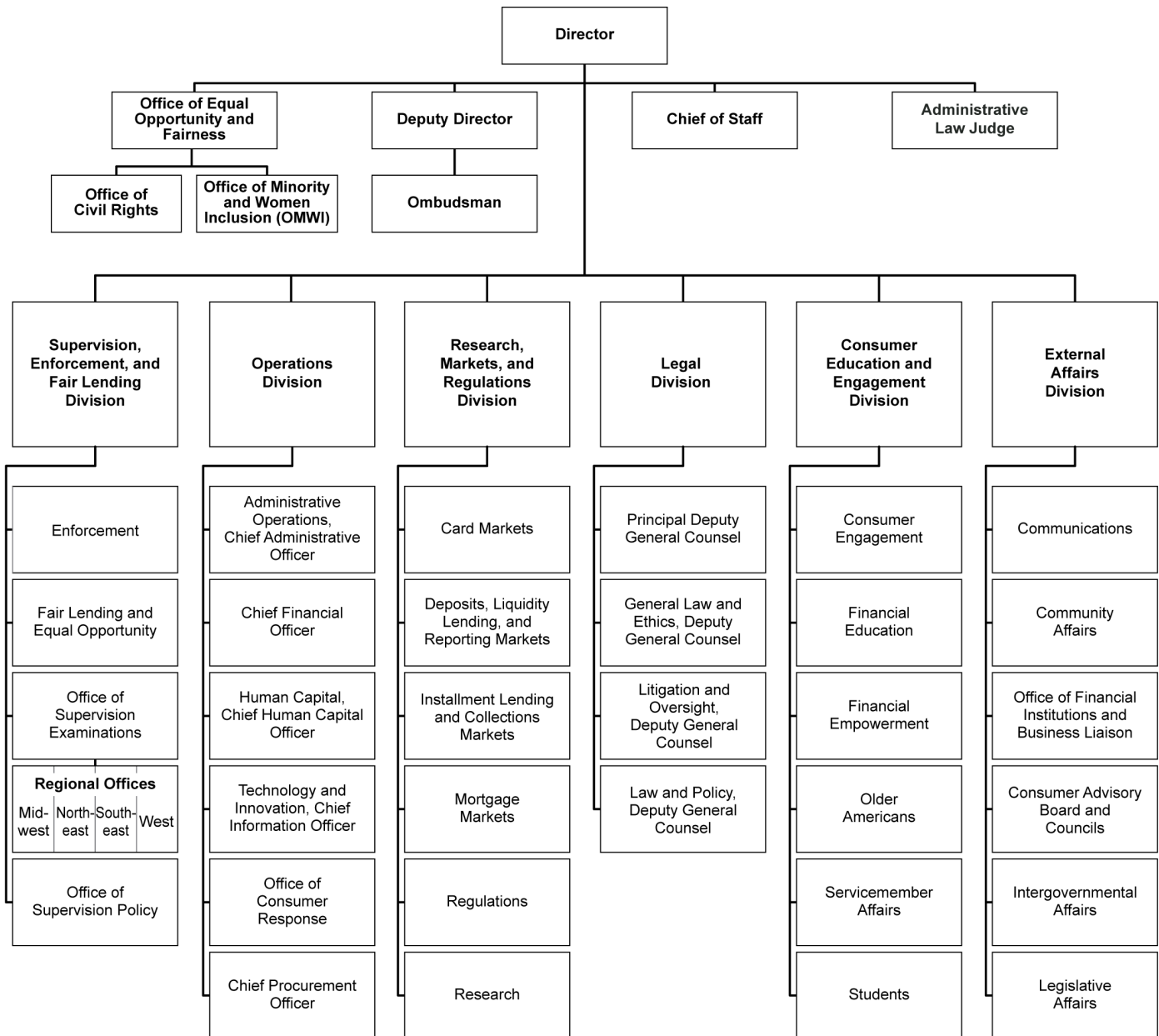
<sup>7</sup>These agencies included the Department of Housing and Urban Development, Office of Thrift Supervision, Office of the Comptroller of the Currency, National Credit Union Administration, Federal Deposit Insurance Corporation, and the Board of Governors of the Federal Reserve System, as well as Federal Reserve Banks.

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To fulfill its mission, CFPB was organized into six divisions, each with several offices (see fig. 1):

- **Supervision, Enforcement, and Fair Lending Division**—Enforces compliance with federal consumer financial laws by supervising market participants and bringing enforcement actions.
- **Operations Division**—Builds and sustains CFPB’s internal infrastructure, such as technology and human capital; includes the Office of Consumer Response, which addresses consumer complaints and questions.
- **Research, Markets, and Regulations Division**—Conducts research to understand consumer financial markets issues, evaluates whether there is a need for regulation, and analyzes the costs and benefits of existing regulations.
- **Legal Division**—Monitors and helps to ensure CFPB’s compliance with all applicable laws and provides advice to CFPB’s director and other divisions.
- **Consumer Education and Engagement Division**—Provides information to consumers of financial products and services to help them make better-informed decisions.
- **External Affairs Division**—Manages CFPB’s relationships with external stakeholders; collects input from these stakeholders and informs them on matters related to CFPB’s work.

**Figure 1: Consumer Financial Protection Bureau Organizational Chart**

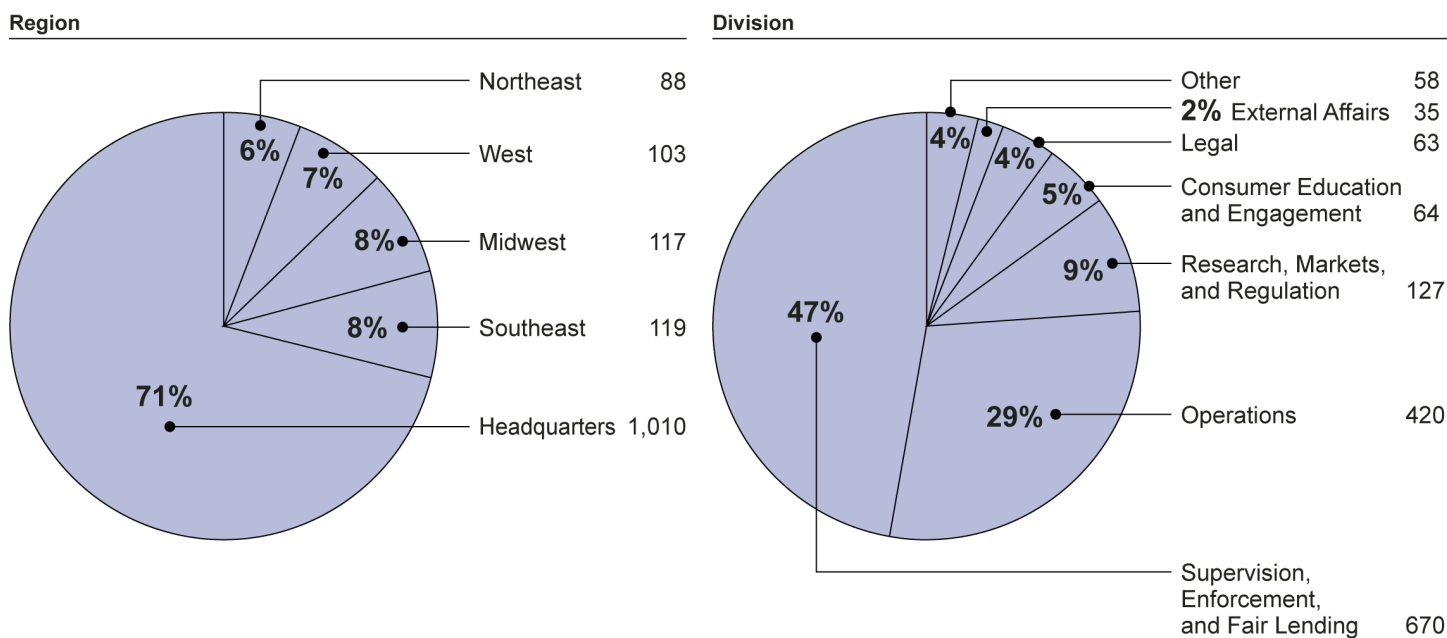


Source: GAO analysis of Consumer Financial Protection Bureau information. | GAO-16-62

Note: As of April 2016, the individual who serves as the OMWI head was also the head of the Office of Equal Opportunity and Fairness.

The Supervision, Enforcement, and Fair Lending (SEFL) division is the largest of CFPB's divisions with 670 employees, as of March 2015 (see fig. 2). The supervision function in this division is carried out by CFPB's Office of Supervision Examinations, which includes four component regional offices (the Midwest Region, the Northeast Region, the Southeast Region, and the West Region), and the Office of Supervision Policy. Also located within this division, the Office of Enforcement and the Office of Fair Lending and Equal Opportunity carry out responsibilities for enforcing consumer financial laws and promoting fair access to credit, respectively.

**Figure 2: Total Number and Percentage of Consumer Financial Protection Bureau Employees by Division and Location, as of March 2015**

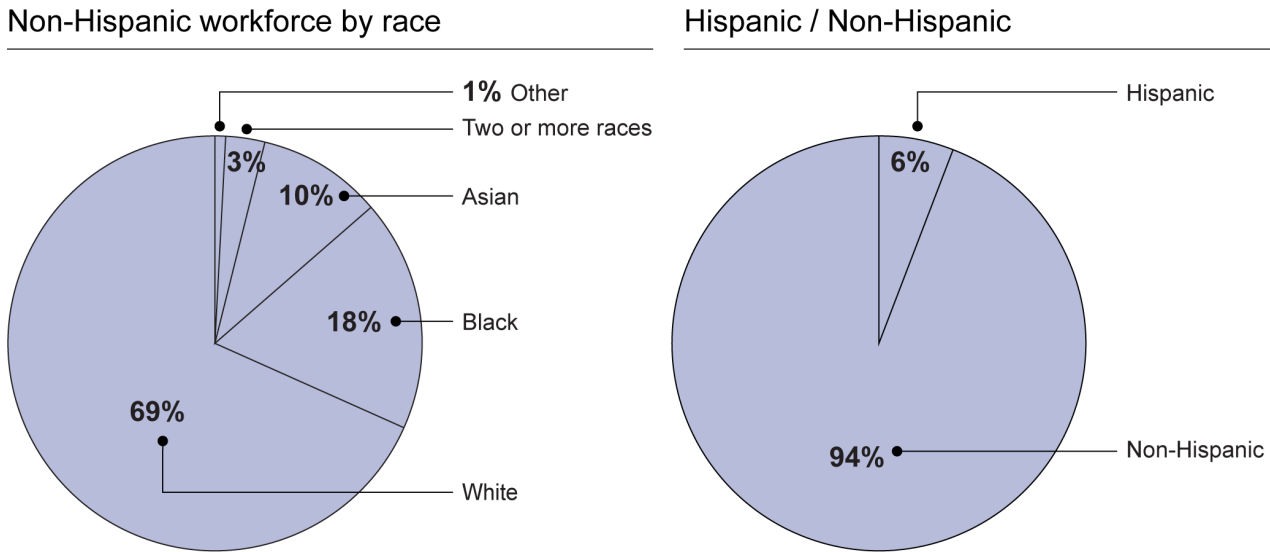


Source: GAO analysis of Consumer Financial Protection Bureau workforce data. | GAO-16-62

Note: In the chart on the right showing the breakdown of total employees by division, "Other" includes employees in the Office of the Director, the Office of Equal Opportunity and Fairness, the Director's Financial Analysts program, and the Ombudsman office.

As of March 2015, according to CFPB data, about 69 percent of its non-Hispanic workforce had identified themselves as white, about 18 percent had identified as black, and the remainder had identified as another race or two or more races (see fig. 3). As of this date, CFPB data indicated that 6 percent of its employees identified as Hispanic.

**Figure 3: Percentage of Consumer Financial Protection Bureau Employees by Race and Ethnicity, as of March 2015**

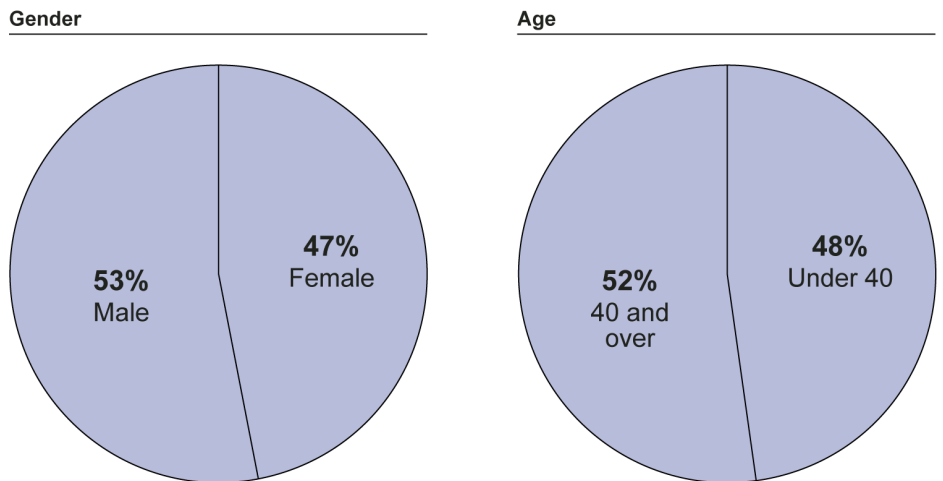


Source: GAO analysis of Consumer Financial Protection Bureau workforce data. | GAO-16-62

Note: The “Other” category includes employees who selected American Indian, Alaska Native, Native Hawaiian, or Pacific Islander as their race.

Figure 4 shows the breakdown of CFPB’s workforce by gender and age, as of March 2015.

**Figure 4: Percentage of Consumer Financial Protection Bureau Employees by Gender and Age, as of March 2015**



Source: GAO analysis of Consumer Financial Protection Bureau workforce data. | GAO-16-62

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## Organizational Culture and Diversity Leading Practices

Organizational culture is the underlying assumptions, beliefs, values, attitudes, and expectations shared by an organization's members that affect their behavior and the behavior of the organization as a whole. We have previously reported that organizations with more constructive cultures generally perform better and are more effective. Within constructive cultures, employees also exhibit a stronger commitment to mission focus, accountability, coordination, and adaptability.<sup>8</sup>

In recent years, organizations in both the private and public sectors have strived to build diverse and inclusive workplaces, including an organizational culture that values diversity and inclusion. In a January 2005 report, we defined diversity management as a process intended to create and maintain a positive work environment that values individuals' similarities and differences, so that all can reach their potential and maximize their contributions to an organization's strategic goals and objectives.<sup>9</sup> We also identified a set of nine leading diversity management practices that should be considered when an organization is developing and implementing diversity management.

- **Top leadership commitment**—a vision of diversity demonstrated and communicated throughout an organization by top-level management.
- **Diversity as part of an organization's strategic plan**—a diversity strategy and plan that are developed and aligned with the organization's strategic plan.
- **Diversity linked to performance**—the understanding that a more diverse and inclusive work environment can yield greater productivity and help improve individual and organizational performance.
- **Measurement**—a set of quantitative and qualitative measures of the impact of various aspects of an overall diversity program.

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<sup>8</sup>GAO, *Aviation Acquisition: A Comprehensive Strategy Is Needed for Cultural Change at FAA*, [GAO/RCED-96-159](#) (Washington, D.C.: Aug. 22, 1996) and *Securities and Exchange Commission: Improving Personnel Management Is Critical for Agency's Effectiveness*, [GAO-13-621](#) (Washington, D.C.: July 18, 2013).

<sup>9</sup>GAO, *Diversity Management: Expert-Identified Leading Practices and Agency Examples*, [GAO-05-90](#) (Washington, D.C.: Jan. 14, 2005).

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- **Accountability**—the means to ensure that leaders are responsible for diversity by linking their performance assessment and compensation to the progress of diversity initiatives.
  - **Succession planning**—an ongoing, strategic process for identifying and developing a diverse pool of talent for an organization’s potential future leaders.
  - **Recruitment**—the process of attracting a supply of qualified, diverse applicants for employment.
  - **Employee involvement**—the contribution of employees in driving diversity throughout an organization.
  - **Diversity training**—organizational efforts to inform and educate management and staff about diversity.

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## CFPB Offices Responsible for Diversity and Inclusion Issues

The following CFPB offices partner together in leading CFPB’s efforts to promote diversity, inclusion, and equal employment opportunity:

- **Office of Minority and Women Inclusion (OMWI).** The Dodd-Frank Act required CFPB and other federal financial regulators to create an OMWI within each agency to deal with matters relating to diversity in management, employment, and business activities.<sup>10</sup> CFPB created its OMWI office in January 2012. Among other things, CFPB’s OMWI is responsible for developing standards for equal employment opportunity and the racial, ethnic, and gender diversity of the workforce and senior management of the agency. CFPB’s OMWI also has statutory responsibility for developing standards to encourage the use of minority- and women-owned businesses in CFPB procurements and for developing standards to assess the diversity and inclusion practices of entities CFPB regulates.
- **Office of Civil Rights.** From CFPB’s inception until February 2013, the Department of the Treasury (Treasury) directed CFPB’s Equal Employment Opportunity (EEO) program. In February 2013, CFPB established its Office of Equal Employment Opportunity to administer

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<sup>10</sup>Pub. L. No. 111-203, § 342(a), 124 Stat. 1376, 1541 (2010) (codified at 12 U.S.C. § 5452(a)).



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its EEO program.<sup>11</sup> In November 2014, CFPB's director renamed this office the Office of Civil Rights to better reflect the office's oversight of not only compliance with EEO protections for CFPB employees, former employees, and applicants, but also protections for members of the public seeking to access CFPB programs and services. EEO programs are concerned with adherence to applicable federal statutes and regulations and Management Directives.<sup>12</sup> The Equal Employment Opportunity Commission (EEOC) provides policy guidance and standards to federal agencies for establishing and maintaining effective EEO programs.

- **Office of Human Capital.** The Office of Human Capital is part of the Operations division and is led by the Chief Human Capital Officer. The Office of Human Capital developed CFPB's Human Capital Strategic Plan for fiscal years 2013-2015 to provide a roadmap of human capital initiatives and priorities. CFPB's Office of Human Capital has collaborated with the OMWI on implementing steps to promote diversity and inclusion through human capital policies and practices, such as in the areas of recruiting, hiring, training programs, and performance management.

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<sup>11</sup>This office is responsible for administering CFPB's EEO program pursuant to federal sector equal opportunity regulations, 29 C.F.R. pt. 1614.

<sup>12</sup>Applicable federal statutes include, but are not limited to, the Equal Pay Act of 1963, the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, and the Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002 (No FEAR Act). The No FEAR Act imposed new requirements on federal agencies related to their longstanding obligation to provide a workplace free of discrimination and retaliation. For example, section 301 of the act requires agencies to publicly disclose summary statistical data pertaining to employee complaints of employment discrimination. Pub. L. No. 107-174, § 301, 116 Stat. 566, 573 (codified at 5 U.S.C. § 2301 note).

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## As a New Agency, CFPB Faced Personnel Management Challenges While Meeting Mission-Related Goals and Deadlines

As CFPB leaders and employees worked to establish a new government agency, they faced pressure to quickly produce substantive results and meet challenging statutory deadlines. CFPB employees who were at the bureau in its first 2 years reported that they felt a strong desire to quickly and effectively put in place new protections for consumers. CFPB assumed some existing functions from other government agencies and began developing new examination, enforcement, and consumer education capabilities. For example, the Dodd-Frank Act charged CFPB with examining both large depository institutions and credit unions—which had previously been subject to federal oversight—and certain nondepository providers of financial products—which had not—to ensure that all of these entities comply with federal consumer financial laws.<sup>13</sup> In addition, the Dodd-Frank Act set forth a number of statutory deadlines for CFPB related to required rulemakings and reports to Congress. According to CFPB, it had issued or updated 23 rules by September 2013.

Pressure to produce early results before CFPB had fully developed its operational infrastructure created what CFPB officials have described as a “start-up environment.” Similar to the environment at a private start-up company, CFPB employees were tasked with building new operational functions—including some government functions that had not existed before—and doing so in an environment in which project teams were short on resources and policies and processes were still being developed.

As CFPB employees worked to stand up the bureau and meet demanding deadlines, they faced challenges related to building the organizational and personnel infrastructure for a new agency. For example, as CFPB grew its workforce rapidly (see fig. 5), it had to integrate new employees coming from very different professional backgrounds. According to data from a December 2012 CFPB report on its progress in building its human capital about 60 percent of CFPB’s total workforce after its first year of operating consisted of employees from other federal government agencies and about 39 percent of its employees came from the private

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<sup>13</sup>CFPB is authorized to supervise certain nonbank financial companies and large banks and credit unions with over \$10 billion in assets and their affiliates for consumer protection purposes. See 12 U.S.C. §§ 5514 - 5515.

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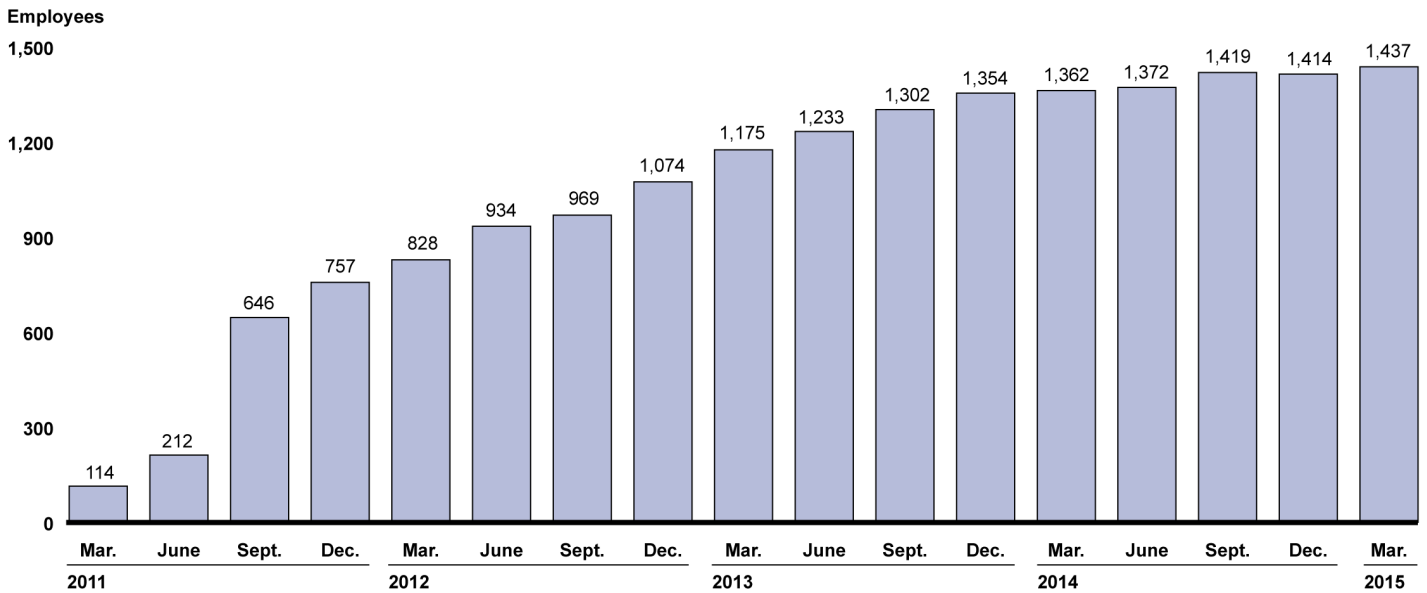
sector, nonprofit sector, or other nongovernment employment.<sup>14</sup> A July 2011 CFPB report identified the need for CFPB to integrate employees coming from many different agencies and other backgrounds into a team with a cohesive organizational culture and noted that this had been a point of failure in other mergers of federal agencies.<sup>15</sup> In addition, CFPB had to develop and strengthen personnel management practices, while trying to meet mission-related goals and deadlines. CFPB began setting up its key operational infrastructure, before it formally began operations in July 2011, and it continued to develop some policies and personnel management functions after it began operating. In its first few years, CFPB continued to work towards developing more robust processes for workforce planning, recruiting, and hiring and to expand and strengthen its personnel management practices in other areas, such as training and employee development. CFPB faced competing priorities related to meeting challenging statutory deadlines and devoting time and resources to building its organizational culture and providing staff development for its growing employee population. During this period, CFPB also leveraged existing operational infrastructure at Treasury to support some personnel management functions. For example, in fiscal years 2011 and 2012, CFPB contracted with Treasury to provide EEO complaint processing services.

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<sup>14</sup>According to this CFPB report, of the employees from other federal government agencies, 232 transferred to CFPB from the six agencies from which it assumed regulatory and enforcement responsibilities under the Dodd-Frank Act.

<sup>15</sup>CFPB, *Developing Our Human Capital*, Annual Report to Congress (July 21, 2011).

**Figure 5: Total Number of CFPB Employees, March 31, 2011 through March 31, 2015**



Source: GAO presentation of Consumer Financial Protection Bureau workforce data. | GAO-16-62

In addition, CFPB took steps from its inception to promote a diverse and inclusive workforce, but it did not implement important elements of its current diversity efforts until 2015. CFPB established its OMWI in January 2012, and appointed its first OMWI director on April 30, 2012. In OMWI's first year, its efforts included working with the Office of Human Capital to support diversity in recruiting and hiring and analyzing employee survey results to identify opportunities to maintain and grow an inclusive workforce. An Inspector General analysis found that at the end of CFPB's first few fiscal years (2011, 2012, and 2013), CFPB's workforce was more diverse than a benchmark of external labor market diversity, but the level of diversity by race and ethnicity was lower at the senior management level (pay grades 80 and above) compared to lower pay grades during this period.<sup>16</sup> In 2013, CFPB provided interactive diversity awareness

<sup>16</sup>Specifically, for fiscal years 2011, 2012, and 2013, the percentage of nonwhite employees in CFPB's workforce was higher than the average percentage in the external labor market for 2006 through 2010, which the Inspector General measured using data from the Census Bureau's American Community Survey. Office of the Inspector General of the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau, *The CFPB Can Enhance Its Diversity and Inclusion Efforts*, 2015-MO-C-002 (Washington, D.C.: Mar. 4, 2015).

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training to employees, opened its in-house EEO office, and introduced guidance for managers on using structured interviews to avoid bias in hiring. As discussed later in this report, however, CFPB did not implement additional important elements of its current diversity efforts, such as mandatory diversity training and the creation of employee diversity groups, until 2015.

In 2013 and 2014, CFPB identified areas for improvement in its diversity and inclusion efforts and concerns about disparate outcomes in its performance management system. In spring 2013, CFPB's OWMI contracted with a private consulting firm to conduct an initial baseline assessment of the state of diversity and inclusion at the bureau in order to inform its strategic planning process. In fall 2013, the firm reported its findings that the bureau's overall workforce was diverse and it recommended a number of steps the bureau could take to enhance diversity and inclusion. Among other findings, the consulting firm's review identified disparities in employee performance ratings for fiscal year 2012 by race and gender. For example, the firm's report found that black employees were more likely than white employees to receive a rating of 3 out of 5, and that white employees were more likely to receive higher ratings of a 4 or 5 on this rating scale. It also found that female employees received higher ratings than men. In December 2013, CFPB completed its own analyses of employee performance ratings for fiscal year 2013 and also identified disparities by race, age, and location (between employees located in the field and those located in CFPB's headquarters), among other factors, and it did not identify disparities by gender. CFPB shared the results of these analyses with CFPB's employee union in January 2014.

From November 2013 through early 2014, CFPB also experienced a high volume of grievance filings and an increase in EEO complaint activity.<sup>17</sup>

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<sup>17</sup>CFPB has multiple employee complaint processes that provide employees the opportunity to have their complaints heard and investigated. For example, employees and applicants may file an EEO complaint if they believe they have been discriminated against, harassed, or retaliated against. Employees may file a grievance to pursue one of CFPB's grievance processes to raise concerns about discrimination and retaliation or resolve disputes over performance ratings and other personnel matters. CFPB officials noted that CFPB employees can report complaints of harassment and inappropriate conduct to the Office of Human Capital for an inquiry. Further, CFPB employees may file a complaint with the U.S. Office of Special Counsel or the Merit Systems Protection Board depending on the nature of the complaint.

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With respect to grievances, in June 2013 CFPB and its employee union reached an interim agreement to establish a negotiated grievance process.<sup>18</sup> Under this process, a CFPB employee or union representative could first file an informal grievance to management and CFPB's Office of Human Capital. If the matter was not resolved informally, the employee could then submit a formal grievance (or a "step one" grievance to begin the formal grievance process). By September 30, 2013, CFPB employees had filed 24 informal grievances under this process. In fiscal year 2014, CFPB employees filed a total of 125 informal grievances. Quarterly filings of informal grievances peaked at 80 in the 3 months ended December 31, 2013 (the first quarter of fiscal year 2014). The number of formal grievance filings also peaked in this quarter at 35. According to CFPB data, the majority of grievances filed in the period from late 2013 through mid-2014 were related to dissatisfaction with performance ratings or written feedback given to employees in October 2013 for fiscal year 2013. With respect to EEO complaint activity, in the 3 months ended December 31, 2013, the number of CFPB employees contacting its EEO office to pursue the informal EEO complaint process increased to 15 from 6 the previous quarter. The number of formal EEO complaints filed increased from 9 in fiscal year 2013 to 25 in fiscal year 2014.

In April 2014, following a congressional hearing on allegations of discrimination and retaliation within CFPB, CFPB's director e-mailed all CFPB employees to emphasize his commitment to diversity and inclusion and to inform them that he had asked the OMWI to lead a series of listening sessions to seek employees' views on issues of diversity and inclusion at CFPB. OMWI invited all CFPB employees to participate in the listening sessions and provided ways for employees to provide input confidentially.<sup>19</sup> OMWI conducted 48 listening sessions with more than 300 employees between April and June 2014 and issued a report with its findings and recommendations in August 2014. The report identified participant concerns and made recommendations in three areas: (1) perceptions of unfair treatment in personnel practices and concerns about diversity and inclusion; (2) complaints about lack of experience and

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<sup>18</sup>In May 2013, CFPB employees voted to join the National Treasury Employees Union, a federal union that also represents employees of other federal financial regulatory agencies.

<sup>19</sup>As discussed at the beginning of this report, in March 2014, press reports brought public and congressional attention to these ratings disparities and allegations of other personnel challenges at CFPB, including discrimination and retaliation against CFPB employees.

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accountability for managers; and (3) confusion around personnel processes and structures in the bureau's hiring, pay-setting, and other areas. According to CFPB officials, CFPB shared this report with all employees. In addition to the OMWI-led listening sessions, CFPB took other immediate steps to address concerns related to diversity, inclusion, and fairness. For example, in January 2014, CFPB management reached agreement with the employee union to develop a new performance management system. In May 2014, CFPB and its employee union agreed to temporarily replace the old system with a two-tier (or "pass-fail") rating system. Also in May 2014, CFPB announced that it would retroactively compensate all employees (except for senior leaders) who had received an average performance rating of at least "3" as if they had received the highest rating of "5" for fiscal years 2012 and 2013. In August 2014, according to CFPB officials, CFPB's director approved the expenditure of funds for these adjustments, and CFPB made remediation payments exceeding \$4 million in the fall of 2014.

In response to a March 2014 congressional request, the Office of the Inspector General of the Federal Reserve and CFPB began a review of diversity and inclusion issues at CFPB.<sup>20</sup> The scope of this review covered CFPB's recruiting and hiring practices, performance management, succession planning, tracking of employee complaints, and the efforts of the OMWI office. In March 2015, the Inspector General issued its report, which included recommendations to further strengthen its diversity and inclusion efforts.<sup>21</sup> Among other recommendations, the Inspector General recommended making diversity and inclusion training mandatory, finalizing and implementing a diversity and inclusion strategic plan, and implementing a formal succession planning process to help

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<sup>20</sup>On March 24, 2014, concurrent to requesting that CFPB's Inspector General review diversity and inclusion issues, members of the House Financial Services Committee also sent letters to Offices of Inspectors General of other federal financial regulatory agencies requesting that they review similar issues. These agencies included the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Securities and Exchange Commission.

<sup>21</sup>Office of the Inspector General of the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau, *The CFPB Can Enhance Its Diversity and Inclusion Efforts*, 2015-MO-C-002 (Washington, D.C.: Mar. 4, 2015).

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ensure that CFPB has a sufficient and diverse pool of candidates for its senior management positions.<sup>22</sup>

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## Employees Reported Positive Aspects about CFPB but Also Concerns about Personnel Management, Fairness, and Trust

CFPB employees who responded to our survey for nonexecutive employees identified strengths and areas for improvement related to personnel management and organizational culture at CFPB.<sup>23</sup> Most respondents (more than 80 percent) agreed that employees in their office generally are enthusiastic about the bureau's mission and had positive views on question items about their supervisors.<sup>24</sup> Overall, respondents also had positive views on survey items related to valuing and promoting diversity, but dissatisfaction on some of these items was higher among black, female, and older respondents. In addition, respondents' views indicated heightened concerns related to perceptions of unfair treatment, experiences with employee complaint processes, employees' level of trust that they can raise concerns without negative consequences, and other issues. For several questions in these areas, more than 25 percent of respondents had unfavorable views and the proportion of unfavorable responses was above 35 percent in some CFPB offices and for some minority respondents, female respondents, respondents 40 years of age and over, and respondents who did not specify a race. As is common in similar surveys of federal employees, CFPB executives, who responded to a separate survey, consistently provided more favorable responses than nonexecutives.

As previously discussed, the response rates for our surveys of nonexecutive and executive employees were 62 percent and 63 percent,

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<sup>22</sup>As of April 2016, the Inspector General had closed 10 of the 17 recommendations it had made to CFPB in its report.

<sup>23</sup>In this report section, unless otherwise noted, we use the phrase "employees who responded to our survey" and the term "respondents" to discuss the results of our survey of nonexecutive employees. For the purposes of our survey and this report, we defined nonexecutive CFPB employees as employees below pay grade 80. This group excludes the 57 CFPB executives who received a separate GAO survey. According to CFPB officials, executive positions at pay grade 80 or above are comparable to positions in the Senior Executive Service at other federal agencies. Based on this definition, CFPB executives include heads of divisions and offices and their deputies.

<sup>24</sup>Our survey for nonexecutive employees included question items that collected respondents' views on immediate supervisors, managers, the head of their office, and senior leaders. Our survey defined managers as individuals who supervise one or more supervisors or managers and do not include first-line supervisors.



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respectively. We do not make any attempt to extrapolate the findings to the eligible employees who chose not to complete our surveys. The results of our surveys provide measures of employees' views at the time they completed the survey in April, May, or June 2015. Where appropriate, we have included information about relevant government-wide survey data to provide additional context for our survey results. However, because of limitations in comparing our results to these other surveys, we did not attempt to draw conclusions about the extent to which CFPB has performed better or worse than other agencies in these areas.<sup>25</sup> The full set of questions and results for both surveys is available on GAO's website as an e-publication supplement to this report, *Consumer Financial Protection Bureau: Survey Results from Employees and Executives on Personnel Management and Organizational Culture* (GAO-16-138SP, May 2016).

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## Views on CFPB's Mission and Supervisors

As shown in table 1, more than 80 percent of CFPB employees who responded to our survey had favorable views of employee enthusiasm for the bureau's mission and items related to their immediate supervisors and inclusion by their work teams. Some of these areas also emerged as strengths in CFPB's annual employee survey for fiscal year 2015.<sup>26</sup> For example, our survey found that 84 percent of respondents agreed that employees in their office or division are generally enthusiastic about CFPB's mission. Similarly, in CFPB's annual employee survey, employees also expressed positive views about the bureau's work, with 92 percent agreeing with the statement, "The work I do is important."<sup>27</sup> CFPB's OMWI also identified employee enthusiasm for the mission as a strength in listening sessions it led with over 300 employees between April and June 2014.

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<sup>25</sup>Factors that limit the comparability of our survey results to other surveys include differences in the survey time period, the respondent population, and the phrasing of questions.

<sup>26</sup>CFPB reported a response rate of 79.3 percent (1,173 out of 1,479 employees participated).

<sup>27</sup>For this item, "The work I do is important," CFPB's bureau-wide survey result was about the same as the government-wide favorable result of 90 percent reported by Office of Personnel Management in its summary of the fiscal year 2015 results for the Federal Employee Viewpoint Survey.

**Table 1: Positive Survey Responses Related to Views on CFPB’s Mission, Supervisors, and Work Teams from GAO Survey of Nonexecutive CFPB Employees**

Survey statement	Strongly/ Somewhat Agree	Neither Agree nor Disagree	Somewhat/ Strongly Disagree	No Basis to Judge
My immediate supervisor treats me fairly. (n=851)	84.5%	6.2%	7.6%	1.6%
Employees in my office generally are enthusiastic about CFPB’s mission. (n=852)	84.4	7.0	7.7	0.8
My immediate supervisor respects and values differences among individuals. (n=854)	81.1	8.4	6.9	3.5
My immediate supervisor appreciates and values the experiences and perspectives I brought to the bureau from previous employment. (n=856)	80.8	5.8	11.6	1.8
My work team (i.e., others you work with on projects or assignments) makes me feel included. (n=855)	80.6	8.3	10.3	0.8

Source: GAO. | GAO-16-62

Most employees who responded to our survey—85 percent—agreed that their immediate supervisor treats them fairly. In addition, about 81 percent of respondents agreed that their immediate supervisor respects and values differences among individuals and that their work teams make them feel included. Similarly, in CFPB’s 2015 annual employee survey, more than 85 percent of employees agreed that their supervisor treats them with respect and that their colleagues share information and help each other out.

## Views on Valuing Differences and Promoting Diversity

In addition to expressing positive views of supervisors’ support for diversity, at least 65 percent of employees responding to our survey had positive views on other survey items related to valuing and promoting diversity at CFPB.<sup>28</sup> However, levels of respondent satisfaction varied across demographic groups. As shown in table 2, while 73 percent of all respondents agreed that differences among individuals are respected and valued, higher rates of disagreement were reported by black respondents (24 percent compared to 8 percent for white employees), female respondents (17 percent compared to 9 percent for men), and

<sup>28</sup>A higher percentage of respondents agreed that differences are valued and respected by their immediate supervisor (81 percent) compared to a similar question item about their office head (64 percent). However, more respondents responded “No Basis to Judge” for the question item on their office head (15 percent) compared to the question item on their immediate supervisor (4 percent).

respondents 40 years of age and over (16 percent compared to 10 percent for employees under 40).<sup>29</sup> CFPB's 2015 annual employee survey also showed higher dissatisfaction among black respondents.

**Table 2. Survey Responses about Diversity and Inclusion for Nonexecutive Consumer Financial Protection Bureau (CFPB) Employees**

<b>Survey Statement: Differences among individuals (e.g., gender, race, national origin, religion, age, cultural background, disability, sexual orientation) are respected and valued.</b>	<b>Strongly/ Somewhat Agree</b>	<b>Neither Agree nor Disagree</b>	<b>Somewhat/Strongly Disagree</b>	<b>No Basis to Judge</b>
<b>CFPB-wide (all respondents, n=860)</b>	<b>72.6%</b>	<b>11.6%</b>	<b>13.1%</b>	<b>2.7%</b>
Asian (n=49)	73.5	8.2	18.4	0.0
Black (n=123)	58.5	14.6	24.4	2.4
Hispanic (n=51)	64.7	15.7	19.6	0.0
White (n=460)	82.4	8.5	7.6	1.5
No Race Specified (n=213)	60.6	16.4	16.9	6.1
Female (n=332)	70.5	11.1	16.6	1.8
Male (n=408)	77.9	10.5	9.3	2.2
Under 40 (n=387)	76.0	11.4	9.8	2.8
40 years of age and above (n=436)	70.9	10.8	15.8	2.5

Source: GAO. | GAO-16-62

In addition, 65 percent of nonexecutive employees responding to our survey agreed that policies and programs promote diversity in the workplace. However, responses were less favorable among some minority groups and female employees. Specifically, higher rates of disagreement were reported by Asian and black respondents (35 percent and 27 percent, respectively, compared to 11 percent for white employees), as well as female respondents (25 percent compared to 10 percent for men). Compared to the government-wide results for this item from OPM's 2015 Federal Employee Viewpoint Survey ("Policies and programs promote diversity in the workplace"), CFPB respondents reported greater overall satisfaction (65 percent versus 56 percent government-wide). The government-wide results for this item also

<sup>29</sup>Survey respondents self-reported their race and ethnicity. Respondents were able to select more than one race, so it is possible that some respondents are represented in more than one race and ethnicity group. In tables where we summarize results by race and ethnicity, we include data for respondents who did not identify their race or ethnicity. In addition, we exclude data for racial and ethnic groups for which there were fewer than 20 respondents.

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showed greater dissatisfaction among black employees compared to white employees (24 percent compared to 12 percent) and female employees compared to male employees (18 percent compared to 13 percent).

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## Views on Favoritism and Discrimination

Our survey collected responses from CFPB employees about their perceptions of personal favoritism and discrimination at CFPB.<sup>30</sup> The Merit Systems Protection Board (MSPB) has surveyed federal employees on their perceptions of discrimination and favoritism and data from these surveys provide context for the possible extent of such perceptions in other parts of the federal government.<sup>31</sup> In December 2013, the MSPB reported that about 28 percent of federal employees surveyed in 2011 believed that their supervisor demonstrated favoritism by treating some employees better than others and 53 percent believed that other supervisors within their agency engaged in favoritism.<sup>32</sup> A 2007 MSPB survey found that the percentage of federal employees who responded that they believed that they had been personally discriminated against on the basis of race or ethnicity ranged between 10 percent and 20 percent for nonwhite federal employees.<sup>33</sup>

As shown in table 3, about a third of all respondents disagreed that success at CFPB is based more on merit than on personal connections to managers or favoritism. Disagreement was higher among black respondents (41 percent compared to 26 percent for white respondents),

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<sup>30</sup>It is important to note that our survey collected employees' subjective perceptions of whether or not they had experienced discrimination or observed favoritism and we did not take steps to substantiate individual claims of discrimination or favoritism.

<sup>31</sup>See, for example, U.S. Merit Systems Protection Board, *Preserving the Integrity of Federal Merit Systems: Understanding and Addressing Perceptions of Favoritism* (Washington, D.C.: December 2013). MSPB defines favoritism as occurring when supervisors base decisions regarding current or prospective employees on personal feelings and/or relationships and not on objective criteria, such as assessments of ability, knowledge, and skills.

<sup>32</sup>MSPB administered this survey, called the Federal Merit Systems Survey, to 52,620 federal employees at 24 government agencies between July and October 2011. MSPB reported a 33 percent response rate for this survey.

<sup>33</sup>U.S. Merit Systems Protection Board, *The Federal Government: A Model Employer or a Work in Progress? Perspectives from 25 Years of the Merit Principles Survey* (Washington, D.C.: September 2008).

respondents who did not identify their race (46 percent) and female respondents (37 percent compared to 25 percent for men). In addition, within the Office of Consumer Response and the Office of Human Capital in the Operations division, and two of CFPB's four regional offices and two other offices in the SEFL division, 40 percent or more of respondents disagreed.<sup>34</sup> In open-ended responses to our survey, several employees cited specific instances of a colleague appearing to be selected for a more senior position or other opportunity based on a personal connection to a manager.

**Table 3: Survey Responses on Favoritism in Personnel Management for Nonexecutive Consumer Financial Protection Bureau (CFPB) Employees**

Survey Statement: Success at CFPB is based more on merit than on personal connections to managers or favoritism.	Strongly/ Somewhat Agree	Neither Agree nor Disagree	Somewhat/ Strongly Disagree	No Basis to Judge
<b>CFPB-wide (all respondents, n=856)</b>	<b>50.0%</b>	<b>9.7%</b>	<b>33.3%</b>	<b>7.0%</b>
Asian (n=48)	60.4	8.3	29.2	2.1
Black (n=123)	36.6	12.2	40.7	10.6
Hispanic (n=50)	52.0	12.0	32.0	4.0
White (n=459)	58.8	9.6	25.9	5.7
No Race Specified (n=211)	36.0	8.5	46.0	9.5
Female (n=332)	46.4	7.8	36.7	9.0
Male (n=406)	58.4	11.6	25.1	4.9
Under 40 (n=387)	53.2	9.6	30.5	6.7
40 years of age and above (n=433)	49.9	9.7	33.3	7.2

Source: GAO. | GAO-16-62

Through the listening sessions led by its OMWI, CFPB identified perceptions of favoritism as one of multiple factors for concern and concluded that lack of employee understanding of existing policies may have contributed to perceptions of unfair treatment. In our survey, more than a third of respondents in three of the regional offices in the SEFL division who reported having experience with the hiring process disagreed that hiring policies are clear. In addition, more than a third of respondents in these three regional offices disagreed that criteria for promotions in their current office are clearly communicated. Many

<sup>34</sup>The total number of respondents for this question was 80 for the Office of Consumer Response and 35 for the Office of Human Capital; 50 and 75 for the two regional offices; and 21 and 23 for the two other offices in the SEFL division.

respondents also disagreed that the process for staffing assignments in their office was fair and transparent. In two regional offices and a small office in the SEFL division, at least 40 percent of respondents indicated unfair assignment allocations compared to 31 percent overall.

About 18 percent of employees who responded to our survey reported that they felt they had experienced discrimination at CFPB, and perceptions of discrimination were around 25 percent or more for some demographic groups and in the Office of Consumer Response and in a small office in SEFL.<sup>35</sup> As shown in table 4, the percentage of respondents who reported that they had personally experienced discrimination at CFPB was highest among black respondents (27 percent compared to 12 percent for white employees), Asian respondents (25 percent), respondents who did not identify their race (22 percent) and female respondents (25 percent compared to 11 percent for men). Of the survey respondents who reported that they believed they had experienced discrimination, the most commonly reported bases for discrimination were race or ethnicity (47 percent), gender (47 percent) and age (41 percent).

**Table 4: Survey Responses on Discrimination for Nonexecutive Consumer Financial Protection Bureau (CFPB) Employees**

<b>Survey Question: Do you feel you have personally experienced discrimination at CFPB?</b>	<b>Yes</b>	<b>No</b>	<b>Don't know</b>
<b>CFPB-wide (all respondents, n=860)</b>	<b>17.6%</b>	<b>67.2%</b>	<b>15.2%</b>
Asian (n=49)	24.5	53.1	22.4
Black (n=123)	26.8	57.7	15.4
Hispanic (n=51)	15.7	68.6	15.7
White (n=459)	12.4	76.7	10.9
No Race Specified (n=214)	22.4	54.7	22.9
Female (n=331)	24.8	59.5	15.7
Male (n=408)	10.5	76.7	12.7
Under 40 (n=387)	14.2	71.1	14.7
40 years of age and above (n=436)	20.2	64.4	15.4

Source: GAO. | GAO-16-62

<sup>35</sup>The total number of respondents for this question item was 81 for the Office of Consumer Response and 23 for the small office in SEFL.

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## Views on Complaint Processes

Most survey respondents (83 percent) agreed that they understood available avenues to pursue a complaint. However, among the subset of respondents who reported having experience with the EEO complaint process or grievance process, many expressed dissatisfaction with certain aspects of these processes (see table 5). Specifically, respondents with experience with these complaint processes expressed dissatisfaction with management's willingness to resolve complaints informally, CFPB's efforts to protect the privacy of complainants, and the independence of the EEO office from management.<sup>36</sup> For example, of those respondents who filed a grievance, 71 percent (55 out of 77 respondents) disagreed that CFPB management made a good faith effort to resolve the complaint informally. In addition, complainants reported a lack of confidence that managers, Human Capital employees, and others with a need to know about the grievance or complaint did not inappropriately share information about the complaint with others without a need to know. In open-ended responses to the survey, several employees cited examples of cases in which a complainant's privacy was compromised when information about the complaint was shared by managers, the EEO office, or the Office of Human Capital with individuals without a need to know about the complaint. In open-ended responses to the survey, a few employees also said that CFPB managers seemed unwilling to resolve issues through the informal complaint resolution processes. One respondent said that a representative from the Office of Human Capital indicated that if the employee wanted the issue resolved, the employee would have to file a formal EEO complaint or grievance. CFPB officials noted that, by regulation, certain forms of relief (including retroactive pay adjustments or retroactive promotions) can be provided only if a formal complaint has been filed. In some cases, therefore, informal processes cannot provide the requested relief, and proceeding directly to formal complaints may be the best option to resolve the matter. We discuss CFPB's efforts to strengthen and evaluate its management of its complaint processes later in this report.

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<sup>36</sup>CFPB provides mechanisms to resolve complaints informally, when possible. Informal resolution of employee complaints can provide faster and less contentious results than resolution through the formal EEO or grievance processes.

**Table 5: Percentage of Survey Responses on Complaint Processes for Nonexecutive Consumer Financial Protection Bureau (CFPB) Employees Who Reported Having Experience with One of These Processes**

<b>Percent Disagreement among Respondents Who Reported That They Had Filed or Assisted with a Complaint</b>	<b>EEO Complaints (% dissatisfied)</b>	<b>Grievances (% dissatisfied)</b>
CFPB management made a good faith effort to resolve the complaint(s) informally, such as through Alternative Dispute Resolution.	71.7% (33 of 46)	71.4% (55 of 77)
I have confidence that managers, Human Capital employees and others with a need to know about the EEO complaint(s)/grievance(s) did not inappropriately share information about the complaint(s) with others without a need to know.	55.3% (26 of 47)	43.6% (34 of 78)
Managers and supervisors respected the rights of employees to use official time to work on [the complaint process].	54.3% (25 of 46)	32.5% (25 of 77)
CFPB's EEO office is a neutral party in the complaint process which is independent of CFPB's Legal Division and others in CFPB who have conflicting or competing interests.	51.1% (23 of 45)	N/A <sup>a</sup>

Source: GAO. | GAO-16-62

<sup>a</sup>This question item asked about the perceived independence of the EEO office and is not applicable to the grievance process.

## Views on Trust and Perceptions of Management Retaliation

On survey items about employees' confidence that they could raise concerns or file a complaint without fear of negative consequences or reprisal by a manager, more than a quarter of respondents provided unfavorable responses. In the Office of Human Capital, two regional offices, and two other small offices in SEFL, more than 35 percent of respondents reported that they did not feel comfortable raising concerns or filing a complaint. About 10 percent of respondents reported that they had observed retaliation, and perceptions of retaliation among these respondents may have contributed to their lack of trust that they can raise issues with management.

About 27 percent of employees who responded to our survey disagreed that employees in their office generally feel comfortable that they can raise concerns or disagree with superiors without worrying about negative consequences (see table 6). The percentage of respondents who were concerned about negative consequences was higher among black respondents (30 percent compared to 23 percent for white employees), female respondents (29 percent compared to 20 percent for men), and respondents 40 years of age and over (29 percent compared to 23 percent for employees under 40) and in the Office of Human Capital and



two regional offices and two small offices in SEFL (above 35 percent).<sup>37</sup> Similarly, 28 percent of respondents disagreed that they had confidence that they could pursue a complaint through informal or formal channels without fear of reprisal. Concerns were higher among the same groups: black respondents (33 percent compared to 23 percent for white respondents), respondents who did not identify their race (36 percent), female respondents (31 percent compared to 22 percent for male respondents), the Office of Human Capital, two regional offices, and a small office in SEFL (above 35 percent).<sup>38</sup>

**Table 6: Survey Responses on Comfort Level in Raising Concerns for Nonexecutive Consumer Financial Protection Bureau (CFPB) Employees**

Survey Statement: Employees in my office generally feel comfortable that they can raise concerns or disagree with superiors without worrying about negative consequences.	Strongly/ Somewhat Agree	Neither Agree nor Disagree	Somewhat/ Strongly Disagree	No Basis to Judge
<b>CFPB-wide (all respondents, n=852)</b>	<b>56.2%</b>	<b>12.7%</b>	<b>27.0%</b>	<b>4.1%</b>
Asian (n=47)	57.4	19.1	19.1	4.3
Black (n=122)	53.3	16.4	29.5	0.8
Hispanic (n=51)	72.5	3.9	21.6	2.0
White (n=456)	63.4	10.1	23.0	3.5
No Race Specified (n=212)	40.1	16.5	35.8	7.5
Female (n=328)	55.8	10.7	29.0	4.6
Male (n=405)	63.0	14.3	20.2	2.5
Under 40 (n=385)	58.2	14.8	22.6	4.4
40 years of age and above (n=430)	57.7	10.2	28.6	3.5

Source: GAO. | GAO-16-62

About 9 percent of respondents reported that they have personally experienced retaliation by a supervisor or manager and about 10 percent reported that they observed retaliation against another employee. Of those who reported experiencing or observing retaliation, the most commonly reported forms of retaliation were lower performance ratings (51 percent) and removal or reassignment of job duties (59 percent). In fiscal year 2014, 16 of 25 (64 percent) formal EEO complaints filed by

<sup>37</sup>The total number of respondents for this question item was 80 for the Office of Consumer Response, 35 for the Office of Human Capital, 50 and 75 for the two regional offices, and 21 and 23 for the two small SEFL offices.

<sup>38</sup>The total number of respondents for this question item was 35 for the Office of Human Capital, 49 and 77 for the two regional offices, and 23 for the small office in SEFL.

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CFPB employees included “reprisal” as at least one of the bases for filing a complaint under the No FEAR Act.<sup>39</sup> For 6 of these complaints, reprisal was the sole basis cited for the complaint.

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## Views on Management Accountability and Commitment to Addressing Concerns

Bureau-wide, over a third of employees who responded to our survey disagreed that a culture of accountability exists in which employees at all levels are held accountable for their actions (see table 7). In addition, female respondents reported greater concerns about accountability than men (39 percent for women compared to 29 percent for men). Respondents who did not identify their race also reported higher disagreement (46 percent). Some employees’ remarks in open-ended responses to our survey suggested that unfavorable responses to this question may have been influenced by their view that the temporary “pass-fail” rating system does not hold poor performers accountable. On a survey item about manager accountability, 23 percent of respondents disagreed that managers are held accountable with respect to how they manage people and personnel issues and disagreement was higher in the Office of Consumer Response (33 percent), the Office of Human Capital (49 percent) and a small office in SEFL (52 percent).<sup>40</sup> In open-ended responses, several employees expressed concerns that managers who they believed to have engaged in discrimination, favoritism, or other wrongdoing had not been held accountable. Accountability for managers was also among the issues identified as an area for attention in the OMWI-led listening sessions. An official from CFPB’s Office of Human Capital noted that CFPB does not announce actions taken against managers about whom employees have complained and this presents a challenge to addressing negative perceptions about manager accountability. Officials explained that in situations where the Office of Human Capital Labor and Employee Relations team identifies recurring issues with a particular manager within an office or division, it communicates the concerns to the senior manager of that office or division along with recommendations for addressing them. In addition, according to CFPB officials, the Office of Civil Rights tracks when there is

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<sup>39</sup>According to the Equal Employment Opportunity Commission, of the EEO complaints filed in fiscal year 2014, the basis most commonly cited among federal agencies was reprisal/retaliation.

<sup>40</sup>The total number of respondents for this question item was 81 for the Office of Consumer Response, 35 for the Office of Human Capital, and 23 for the small office in SEFL.

more than one complaint against a management official and alerts the appropriate executive in those cases. In cases of allegations of harassment or other inappropriate conduct, the Labor and Employee Relations team investigates the complaint. As of September 2015, officials told us that there had been three managers with multiple allegations of misconduct, and the Labor and Employee Relations team recommended counseling for the manager in those cases. We discuss CFPB's efforts to strengthen management accountability later in this report.

**Table 7: Survey Responses on Accountability for Nonexecutive Consumer Financial Protection Bureau (CFPB) Employees**

<b>Survey Statement: Across the bureau, a culture of accountability exists in which employees at all levels are held accountable for their actions.</b>	<b>Strongly/ Somewhat Agree</b>	<b>Neither Agree nor Disagree</b>	<b>Somewhat/ Strongly Disagree</b>	<b>No Basis to Judge</b>
<b>CFPB-wide (all respondents, n=856)</b>	<b>39.4%</b>	<b>14.7%</b>	<b>36.4%</b>	<b>9.5%</b>
Asian (n=48)	45.8	12.5	39.6	2.1
Black (n=124)	34.7	19.4	35.5	10.5
Hispanic (n=51)	41.2	13.7	33.3	11.8
White (n=459)	44.0	13.3	32.7	10.0
No Race Specified (n=211)	27.5	16.6	46.4	9.5
Female (n=331)	35.3	14.2	38.7	11.8
Male (n=406)	47.5	15.3	29.3	7.9
Under 40 (n=385)	40.0	15.3	35.8	8.8
40 years of age and above (n=435)	40.9	13.8	35.2	10.1

Source: GAO. | GAO-16-62

In addition, while most respondents (58 percent) agreed that senior leaders have taken meaningful steps to manage the transition from a start-up agency to a more mature agency, 35 percent disagreed that leaders are committed to addressing concerns that may affect employee retention, and 30 percent disagreed that senior leaders promote a culture in which problems and solutions are openly discussed. As shown in table 8, concerns about leaders' commitment to addressing problems were higher among female respondents (39 percent compared to 28 percent for men).

**Table 8: Survey Responses on Employee Retention for Nonexecutive Consumer Financial Protection Bureau (CFPB) Employees**

<b>Survey Statement: Leaders and managers in my division and office are committed to addressing concerns that may lead talented employees to leave CFPB.</b>	<b>Strongly/ Somewhat Agree</b>	<b>Neither Agree nor Disagree</b>	<b>Somewhat/ Strongly Disagree</b>	<b>No Basis to Judge</b>
<b>CFPB-wide (all respondents, n=854)</b>	<b>45.1%</b>	<b>12.1%</b>	<b>34.7%</b>	<b>8.2%</b>
Asian (n=49)	49.0	8.2	32.7	10.2
Black (n=123)	40.7	22.8	30.9	5.7
Hispanic (n=51)	54.9	5.9	33.3	5.9
White (n=458)	50.7	9.8	31.9	7.6
No Race Specified (n=209)	33.5	13.4	44.0	9.1
Female (n=331)	42.3	11.8	38.7	7.3
Male (n=406)	51.7	11.1	28.1	9.1
Under 40 (n=385)	43.6	13.0	36.6	6.8
40 years of age and above (n=434)	47.9	10.8	31.6	9.7

Source: GAO. | GAO-16-62

## Views on Employee Morale and Related Issues

While about 65 percent of respondents agreed that their morale is good, in some offices in the SEFL and Operations divisions, more than 30 percent of employees disagreed. Rates of disagreement were also higher among female respondents (28 percent compared to 18 percent for men). Respondents in some offices that reported lower morale also expressed greater dissatisfaction with CFPB’s efforts to retain talented employees. For example, in some offices in the SEFL and Operations divisions, more than 30 percent of respondents disagreed that their morale is good and more than 45 percent disagreed that their office retains its talented and qualified employees. About a third of respondents indicated that their morale had improved in the last 12 months, while another third reported their morale had decreased in that period. Respondents in some offices, including two offices in the Operations division, two regional offices, and a small office in SEFL, showed more decline than the bureau overall.

In addition to areas of concern highlighted in the survey results discussed earlier, some employee groups who responded to the survey identified specific concerns in other areas that may have affected their morale. These other areas of concern include the following:

- **Pay equity.** Employees who responded to our survey indicated concerns about unfair treatment in salary-setting at the time of hire. A third (33 percent) of respondents indicated that they felt that their starting salary at CFPB did not provide what they believed to be fair

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compensation for their skills, work experience, and education. More than 40 percent of respondents in two regional offices expressed dissatisfaction with their starting salary. In addition, among the 28 percent of respondents who said they raised concerns about their salary with a superior or Office of Human Capital representative, about 74 percent (176 out of a total of 239 respondents) were dissatisfied with CFPB's response to their concerns. CFPB officials noted that CFPB has undertaken efforts to review compensation for a number of employees to determine if adjustments to starting salaries were appropriate. While our survey asked employees about their satisfaction with their initial salary, in response to a different question in CFPB's annual employee survey for fiscal year 2015, about 67 percent of respondents indicated that they were satisfied with their pay. This result compared favorably to a 57 percent level of pay satisfaction government-wide.

- **Opportunities for advancement and the examiner commissioning process.** More than 35 percent of respondents reported dissatisfaction with their opportunity to get a better job in the bureau and disagreed that criteria for promotions are clearly communicated to employees. Government-wide employee survey results from the 2015 Federal Employee Viewpoint Survey also showed a level of dissatisfaction above 35 percent with the opportunity to get a better job. Many respondents in the SEFL division expressed dissatisfaction with the new process for commissioning examiners CFPB finalized in late 2014, following negotiation with CFPB's employee union.<sup>41</sup> For example, 22 respondents commented that they were dissatisfied that this new commissioning process included new requirements for advancement that had not existed when they were hired. Several respondents expressed dissatisfaction with aspects of the new commissioning process, such as a requirement to pass a final case-study exercise.

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## Views of CFPB Executives

We administered a separate survey to CFPB executives, and 36 out of the 57 executives who received the survey provided responses. CFPB executives who responded to this survey generally provided favorable responses on most survey items (with at least 65 percent selecting a

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<sup>41</sup>Similar to other federal financial regulators, CFPB has a commissioning program through which it trains and assesses examiners to achieve commissioned examiner status. The criteria for this process are described in an October 2014 policy memorandum.

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response in one of the top two positive categories for all but two question items). As is common in similar surveys of federal employees, CFPB executives consistently provided higher rates of favorable responses than nonexecutive employees on similar questions that were included in both surveys. For example, 32 of 36 executive respondents (91 percent) agreed that success at CFPB is based on merit rather than personal connections and 34 out of 36 executive respondents (97 percent) agreed that employees in their division or office feel comfortable raising concerns. In comparison, agreement among nonexecutive respondents on these items ranged from 50 percent to 56 percent.

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## CFPB Has Taken Steps to Address Challenges, but Lacks Some Mechanisms to Support Sustained Commitment and Accountability

As part of ongoing efforts to strengthen its personnel practices and through the internal and external reviews discussed earlier in this report, CFPB identified specific challenges related to promoting a diverse, inclusive, and fair work place and actions to address them.<sup>42</sup> These challenges and related actions can be grouped into three areas: (1) perceived fairness in personnel management practices; (2) diversity, inclusion, and culture efforts; and (3) practices for managing employee complaints. In the last 2 years, CFPB has taken a number of steps to address challenges in these areas, such as expanding training, improving communication on policies and procedures, enhancing diversity and inclusion efforts, and strengthening management of employee complaint processes. However, CFPB does not comprehensively report on its implementation goals and progress for the full range of its diversity, inclusion, and fairness initiatives. In addition, while CFPB is in the process of developing new tools to collect employees' feedback on their experiences with the EEO complaint process, it has not created similar tools for its grievance processes.

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<sup>42</sup>These reviews included a 2013 review of diversity and human capital practices by an external consulting firm, the listening sessions held by OMWI in 2014, and the Inspector General review of diversity and inclusion practices, with findings and recommendations reported in March 2015.

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## CFPB Has Taken Steps to Improve Personnel Practices in the Past 2 Years, but It Is Too Soon to Assess Their Effect

Partly in response to employees' expressed concerns about favoritism or unfair treatment in certain personnel practices—such as hiring, performance management, promotions, and detail opportunities—as well as recommendations from the Inspector General and other external reviews, CFPB has taken steps to review and strengthen its policies and practices in these areas.<sup>43</sup> Specifically, during 2014 and 2015 CFPB took steps to improve training, communication, policies, and guidance and to review underlying factors that may have contributed to disparities in ratings under the prior performance management system and differences in employee perceptions of other personnel practices. The overall effect of these changes and reviews on employee views and bureau culture is difficult to determine at this time, in part because some changes, such as the adoption of a new performance management system, have not yet been implemented and others have been implemented only recently.

- **Expanding management training related to personnel practices.** In OMWI's 2014 listening sessions discussing employee views on diversity and inclusion at CFPB, employees expressed concerns about managers' lack of management experience, and noted some managers lacked effective communication skills and either micromanaged or undermanaged employees. In the past 2 years, CFPB has identified opportunities to enhance its manager training programs and expanded training for managers on leadership and management topics. For example, in 2014, CFPB began holding Leadership Excellence Seminars at which it provided training for managers and supervisors on a range of leadership and management topics, such as a leader's role in developing employees, addressing performance issues, and providing feedback as part of the performance management process. In May 2014, CFPB made equal employment opportunity training mandatory for all managers and supervisors. In a separate review of CFPB's performance

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<sup>43</sup>As discussed previously, in March 2015, CFPB's Inspector General reported on CFPB's efforts to promote diversity through its personnel practices and to ensure compliance with laws and regulations related to promoting a diverse, inclusive, and fair workplace. In its report, the Inspector General made 17 recommendations in areas such as hiring practices and performance management. As of April 2016, 10 of these recommendations were closed and the rest were still open. In addition, in August 2015, the Inspector General reported on its findings from its review of CFPB's hiring practices and made 2 recommendations in this area related to its internal controls and monitoring efforts. Office of the Inspector General of the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau, *The CFPB Can Further Enhance Internal Controls for Hiring Processes*, 2015-MO-C-013 (Washington, D.C.: Aug. 26, 2015).

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management system, a June 2015 consultant report noted that some CFPB managers did not have prior experience with performance management and additional manager training was needed. CFPB mandated that all employees take performance management training in February 2015.

- **Improving communication of existing policies and new initiatives.** CFPB officials with whom we spoke said that employee comments about unfair treatment suggested that many employees were not aware of existing policies and procedures related to personnel management. CFPB has taken steps to simplify its communications about policies and make important information more accessible to employees. In early 2015, CFPB hired two communications experts who have worked with staff in Human Capital and other CFPB offices to simplify communications about CFPB policies, initiatives, and resources for employees. CFPB staff reported that these experts helped revise existing CFPB communications and create new tools to inform managers and supervisors of relevant developments and provide them with guidance on managing staff. In addition, staff from the Office of Human Capital reported that they developed a web page on CFPB's intranet that provides and consolidates resources on career planning in one place.
- **Developing new policies, tools, and guidance on promotions, detail assignments, and career paths.** To help provide more transparency around promotion processes and career development, CFPB issued new promotion policies and career development guidance. For example, CFPB developed a new tool for managers to advertise detail opportunities on the home page of CFPB's intranet so they would be accessible to all employees to address employee concerns about the fairness and transparency of selections for detail assignments. This tool is intended to promote greater transparency and encourage more employees to apply to these opportunities. CFPB completed a review of this tool in August 2015. The review found it was well-received by both managers and employees, and CFPB planned to make some changes based on stakeholder feedback. In addition, in September 2014, CFPB issued a Career Path Guide that provided an overview of types of jobs and guidance on how to navigate different career paths within CFPB to respond to feedback from employees who were concerned about or unaware of career options within the bureau.
- **Reviewing factors related to differences and potential differences in certain personnel practices.** As discussed previously, both CFPB



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and a private firm hired by the Inspector General identified discrepancies in performance management ratings by race. The Inspector General's report recommended that CFPB conduct a more comprehensive assessment of factors that may have contributed to disparities in performance ratings.<sup>44</sup> In September 2014, CFPB contracted with two third-party firms to review its performance management, compensation, and hiring practices. In June 2015, one of the consulting firms issued a report that identified potential root causes of ratings disparities and described steps CFPB is taking to address these root causes, such as the need for additional performance management and manager training discussed previously.<sup>45</sup>

- **Developing a new performance management system.** In September 2014, CFPB established a joint Labor-Management Performance Management Working Group to design a new performance management rating program. This working group included representatives from CFPB's employee union, CFPB management, and subject-matter experts from OMWI, the Office of Civil Rights, the Legal division, and the Office of Human Capital. In April 2016, CFPB's director sent an e-mail to CFPB employees announcing that the working group had reached consensus on recommendations for improving CFPB's performance management program. The working group outlined five guiding principles it considered in developing these recommendations. Specifically, the performance management program should be (1) mission and culture driven, (2) developmentally focused, (3) minimally burdensome, (4) fair and equitable, and (5) supported by clear management accountability. In fiscal year 2016, CFPB is continuing to use the performance management competencies previously in place with the pass/fail rating system negotiated with the employee union. CFPB plans to phase in new performance standards for managers and nonsupervisory employees to give employees time to adapt to the new performance standards and coaching guidelines. CFPB expects to introduce new performance standards for managers in fiscal year 2017 and nonsupervisory employees in fiscal year 2018. CFPB's

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<sup>44</sup>See Inspector General report, 2015-MO-C-002. The private firm is a different company from the consultant that analyzed ratings for CFPB.

<sup>45</sup>The authors of the report also evaluated CFPB's efforts to understand or address the potential cause and found them reasonable and sufficient.

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performance management program policy states that CFPB will continue to use a two-level rating scale (with ratings of “Unacceptable” or “Accomplished Performer”) through fiscal year 2019.

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## CFPB Has Taken Steps to Expand Its Diversity and Inclusion Efforts

As previously discussed, in prior work, we have identified leading practices for diversity management.<sup>46</sup> CFPB has implemented initiatives that correspond to several of these leading practices, including initiatives begun during the past 2 years in the areas of top leadership commitment, strategic planning, diversity linked to performance, recruitment, employee involvement, diversity training, and measurement. CFPB has also taken some steps to address recommendations from the Inspector General related to its diversity and inclusion practices.

- **Top leadership commitment.** Since CFPB identified performance rating disparities in late 2013, CFPB leadership has taken steps to emphasize their commitment to supporting diversity and inclusion. In prior work, we have noted that leadership commitment expressed by commitment of time and resources and the communication of the importance of diversity by top leadership is a fundamental element of diversity management initiatives.<sup>47</sup> In April 2014, CFPB’s director expressed support for diversity and equal employment opportunity through a bureau-wide e-mail communication. He also announced that CFPB’s OMWI, which had been located in CFPB’s Operations division, would be elevated to the Office of the Director to facilitate greater access and communications between the two offices.<sup>48</sup> CFPB’s OMWI director issued additional statements in 2015 about the importance of diversity and inclusion and CFPB leadership’s commitment to improving the culture at the bureau. In addition, CFPB recently issued standards for equal employment opportunity and diversity pursuant to requirements in the Dodd-Frank Act that became

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<sup>46</sup>See [GAO-05-90](#).

<sup>47</sup>See [GAO-05-90](#).

<sup>48</sup>The EEO office was also moved from the Operations division to the Office of the Director and renamed the Office of Civil Rights. The new Office of Civil Rights works with OMWI under a new office called the Office of Equal Opportunity and Fairness to address diversity and inclusion and EEO issues together. The OMWI director is the head of the Office of Equal Opportunity and Fairness.

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effective October 1, 2015.<sup>49</sup>

- **Diversity as part of CFPB's strategic plan.** CFPB recently has implemented changes to more fully incorporate diversity and inclusion into its strategic planning efforts. Integrating diversity management into an organization's strategic planning efforts is a leading diversity management practice that helps to ensure sustained top leadership commitment to progress on diversity management initiatives, even when senior leaders change or agency priorities shift. CFPB's agency-wide strategic plan for fiscal years 2013 to 2017 includes a goal related to its workforce that states it plans to develop a strategy to recruit and retain a high-performing, diverse staff with the right skills and abilities to meet mission-driven goals and objectives.<sup>50</sup> In subsequent reports reviewing the status of its strategic planning efforts, CFPB identified specific measures (based on CFPB's annual employee survey results) that it would use to track its progress toward this goal.<sup>51</sup> In accordance with CFPB's strategic planning process and with support from its OMWI, each CFPB division has adopted diversity and inclusion goals.

On October 2, 2015, CFPB finalized its diversity and inclusion strategic plan for 2016 to 2020.<sup>52</sup> CFPB developed this plan in part to meet the OPM directive that agencies develop a specific diversity and inclusion strategic plan that outlines the actions agencies plan to take to achieve the priorities in the 2011 *Government-Wide Diversity and Inclusion Strategic Plan* and the responsible agency official for each

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<sup>49</sup>Dodd-Frank Act section 342(b)(2)(A) requires CFPB's OMWI director to develop standards for equal employment opportunity and the racial, ethnic, and gender diversity of the workforce and senior management of the agency. Pub. L. No. 111-203, § 342(b)(2)(A), 124 Stat. 1376, 1541 (2010)(codified at 12 U.S.C. § 5452(b)(2)(A)).

<sup>50</sup>Consumer Financial Protection Bureau, *Consumer Financial Protection Bureau Strategic Plan FY2013-FY2017* (Washington, D.C.: April 2013).

<sup>51</sup>Consumer Financial Protection Bureau, *Strategic Plan, Budget, and Performance Plan and Report* (Washington, D.C., March 2014); and *The CFPB Strategic Plan, Budget, and Performance Plan and Report*, (Washington, D.C.: February 2015). For example, these reports identify the "Inclusion Quotient," an index of survey items that measures employee satisfaction with CFPB's efforts on five workplace attributes (fair, open, cooperative, supportive and empowering) that together help to enable a diverse and inclusive workplace.

<sup>52</sup>Consumer Financial Protection Bureau, *Diversity and Inclusion Strategic Plan, 2016-2020* (Washington, D.C.: October 2015). The Inspector General recommended that CFPB implement a diversity and inclusion strategic plan in March 2015.

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action.<sup>53</sup> OPM's guidance describes three goals of the government-wide effort—workforce diversity, workforce inclusion, and sustainability—and the steps agencies can take to address these goals. CFPB's plan addresses the priorities and actions it plans to take under each of these three goals. These include efforts described in this report, such as expanding recruitment efforts, developing leadership training, and creating an employee diversity and inclusion council. The plan also states that CFPB plans to ensure that all CFPB leaders and staff have performance measures in place to ensure proper execution of the plan and that CFPB will develop and widely distribute a set of diversity and inclusion measures to track CFPB's efforts both bureau-wide and for each division.

- **Diversity linked to performance.** CFPB has taken steps to link diversity goals to organizational performance by communicating the business case for diversity to its employees.<sup>54</sup> In June 2015, CFPB's OMWI director issued a memorandum to all employees stating that diversity and inclusion are important to bring new perspectives to CFPB's work and foster an environment where all employees feel valued and empowered to share their views and ideas. The memorandum also noted the importance of workforce diversity given CFPB's mission to develop financial solutions relevant to all groups of consumers and craft policies that ensure women and minorities fairly benefit from economic recovery.
- **Recruitment.** As discussed earlier, in OMWI's first year, its efforts included working with the Office of Human Capital to support diversity in recruiting and hiring and analyzing employee survey results to identify opportunities to maintain and grow a diverse workforce. A leading diversity practice is to partner with a wide selection of schools and multicultural professional organizations to reach out to diverse pools of talent.<sup>55</sup> In April 2014, both offices published a document that

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<sup>53</sup>“Establishing a Coordinated Government-Wide Initiative to Promote Diversity and Inclusion in the Federal Workforce” Exec. Order No. 13,583, 76 Fed. Reg. 52, 847 (Aug. 23, 2011). CFPB reports that in addition to the OPM requirements, it also based its diversity and inclusion strategic plan on Equal Employment Opportunity Commission regulations and guidance and Dodd-Frank Act requirements (under section 342).

<sup>54</sup>We discuss steps to hold individuals accountable for diversity performance later in this report.

<sup>55</sup>See [GAO-05-90](#).

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formalized a diversity recruiting strategy that had been in place since fiscal year 2013, according to CFPB officials. CFPB also developed a recruitment and outreach plan to inform managers of their strategies to use career expos, student symposiums, and partnerships with local and national diversity organizations to attract diverse job applicants in June 2015. In September 2015, CFPB officials reported that the strategy had not changed since the document was published in April 2014.<sup>56</sup>

- **Employee involvement.** In 2014 and 2015, CFPB took steps to increase the number of opportunities employees have to provide input into diversity and inclusion efforts and further develop a diverse and inclusive workforce. Our work on diversity management has noted that involving employees at all levels in diversity management is a leading practice that helps them contribute to an organization's efforts to improve diversity and inclusion throughout the organization.<sup>57</sup> As part of this effort, many organizations have diversity advisory councils to initiate and manage diversity and inclusion progress. In 2014, CFPB launched its Diversity and Inclusion Executive Advisory Council, consisting of 12 executives from throughout CFPB, including the Assistant Director of OMWI, the Chief Human Capital Officer, and the Chief Financial Officer. The council is a leadership advisory group that provides strategic guidance to the director and senior leaders about ways to improve diversity and inclusion.

Also in 2015, CFPB launched several other employee-involvement initiatives. On September 7, 2015, CFPB's director announced plans to start a staff-level Diversity and Inclusion Council of Employees to serve as a platform for employees to contribute their ideas, implement CFPB-wide initiatives, and provide feedback to leadership on diversity and inclusion initiatives. According to CFPB officials, members of the council have been selected and initial meetings have been held. According to its charter, this council is also to serve as a means through which employees can voice concerns about diversity and inclusion to management, help in communicating initiatives to other employees, and measure the results of initiatives. Members of the

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<sup>56</sup>The March 2015 Inspector General report recommended that CFPB take additional steps to analyze its hiring data to enhance its efforts to diversify recruiting. As of September 2015, this recommendation was still open.

<sup>57</sup>See [GAO-05-90](#).

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council plan to meet with the director twice a year and with the Executive Advisory Council quarterly. In addition, CFPB officials reported that they have drafted a policy and guidance for employees to establish employee resource/affinity groups. In the summer of 2015, OMWI also announced the start of a pilot mentoring program, focused on employees in two divisions and mentors throughout CFPB management, and with a stated purpose to help CFPB build a more diverse, experienced, and inclusive workforce. According to CFPB officials, CFPB conducted the pilot mentoring program in fall 2015 and obtained feedback from participants. Based on the feedback received from mentors and mentees who participated, CFPB plans to make improvements to the program.

- **Training.** In accordance with the leading diversity management practice, CFPB has expanded its offerings of diversity and inclusion training—and made certain trainings mandatory—to help its management and staff increase their awareness and understanding of diversity and inclusion. In 2013, CFPB contracted with a diversity expert to provide training designed to examine issues of diversity and inclusion and how they affect people in the workplace for employees at all levels. In February 2015, CFPB made this training mandatory. In 2014, CFPB began offering a 2-day leading diversity and inclusion workshop specifically for managers and supervisors developed by an external consultant. This training, developed to address ways to give appropriate consideration of staff differences in managerial or supervisory decisions and actions, was made mandatory in July 2015. In June 2014, CFPB also began requiring managers to take a 2-day course led by the Equal Employment Opportunity Commission Training Institute on equal employment opportunity laws and managerial responsibilities. CFPB officials said that training on EEO principles and unconscious bias has been provided to hiring managers and has helped to reinforce earlier efforts to promote greater fairness in hiring, such as providing guidance to managers on using the same set of structured interview questions for all job candidates.
- **Measurement.** CFPB has adopted several practices that are consistent with leading diversity management practices for measurement. It is a leading practice for organizations to collect quantitative and qualitative data to evaluate the effectiveness of their diversity management efforts. In addition, CFPB's diversity and inclusion strategic plan cites the need for performance measures and for CFPB to communicate its progress and effectiveness on its diversity and inclusion initiatives. CFPB has developed some agency-

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wide metrics, division-specific goals, and processes related to diversity and inclusion. These metrics include the following:

- *Inclusion indices based on the annual employee feedback results.* In 2013, OMWI added an OPM-developed measure—the Inclusion Quotient—to its analysis of CFPB’s annual employee survey results to facilitate measurement of CFPB employees’ views on inclusiveness at CFPB.<sup>58</sup> OMWI has begun analyzing employee responses to these questions in terms of five categories: fair, open, cooperative, supportive, and empowered. Using the annual employee survey data results, CFPB has compared its overall inclusiveness scores to those of other government agencies, and has started comparing the five scores across different divisions.
- *Division-level diversity and inclusion goals and objectives.* CFPB’s OMWI director reported that OMWI staff have met with division leaders and provided them suggestions for diversity and inclusion goals for each division. OMWI also has developed demographic data on race and gender (including by pay grade) for each division at CFPB, and these data are incorporated into the division’s quarterly performance review with senior management. Starting in fiscal year 2015, CFPB has used its quarterly performance review meetings to hold discussions among senior leaders about progress toward achieving division-specific diversity and inclusion goals.<sup>59</sup> According to CFPB officials, at these quarterly performance reviews—which include the director of the Office of Equal Opportunity and Fairness, the Deputy Director, Chief of Staff, and Chief Strategy Officer—the CFPB Director asks division leaders questions regarding their diversity and inclusion goals and about divisional efforts to promote diversity and enhance the employee experience. They also reported that certain divisions have specific annual employee survey indices in their division

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<sup>58</sup>CFPB calculates the Inclusion Quotient scores using a subset of 20 items from its annual employee survey that are also found on OPM’s Federal Employee Viewpoint Survey.

<sup>59</sup>These quarterly performance reviews are part of CFPB’s strategic planning efforts and according to officials, are designed to fulfil their obligations under the GPRA Modernization Act of 2010. This act included a provision for agency leaders to conduct quarterly, data-driven performance reviews. Pub. L. No. 111-352, § 6(b), 124 Stat. 3866, 3875 (codified at 31 U.S.C. § 1121(b)).

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strategic plans and quarterly performance review metrics.

- **Succession Planning.** CFPB has taken steps to develop a formal succession planning process for identifying and developing a diverse pool of talent for its future. Succession planning is a comprehensive, ongoing strategic process that provides for forecasting an organization's senior leadership needs; identifying and developing candidates who have the potential to be future leaders; and selecting individuals from among a diverse pool of qualified candidates to meet executive resource needs. Succession planning is a leading practice that allows federal agencies the opportunity to change the diversity of the executive corps through new appointments. In its March 2015 report, the Inspector General recommended that CFPB develop and finalize a formal succession planning process and noted that without such a process, CFPB may not be able to ensure that it will have a sufficient number of qualified executives or will be able to retain high-performing staff in mission-critical positions.<sup>60</sup> Furthermore, the Inspector General noted that a succession planning process could help to ensure diversity in CFPB's senior management.

In response to the Inspector General's recommendation, a CFPB official noted that CFPB has used a succession management guide it issued in October 2014 to help shape the design of its succession planning process. Although this guide outlines a process by which CFPB leaders are to review senior workforce needs, it is not a formal plan that identifies those needs and the strategies CFPB plans to use to achieve its leadership goals. After publishing the guide, CFPB developed a list of key leadership and technical positions that are most critical to CFPB's ongoing success, one of the first steps in the guide. In addition to this guide, CFPB officials noted that CFPB has taken other steps toward developing a formal succession planning process. For example, according to CFPB officials, in February 2016, CFPB developed a 3-year approach (fiscal years 2016 through 2018) to formalizing its succession management and strategic workforce planning programs.

- **Management Accountability.** Our work on leading practices has also pointed to the importance of having means to hold managers responsible for diversity by linking their performance assessment to

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<sup>60</sup>See Inspector General report, 2015-MO-C-002.



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diversity and inclusion goals. While CFPB has taken some steps to promote diversity and inclusion within its performance management system, its current system provides limited means to hold managers accountable for promoting a diverse and inclusive workplace. CFPB currently has a temporary pass/fail performance management rating system, which applies to managers as well as employees. In March 2015, the Inspector General found that CFPB's performance management competencies at that time for supervisors and managers did not adequately measure diversity and inclusion efforts. Specifically, the Inspector General found that the performance management competencies in place for senior managers did not sufficiently connect the managers' performance assessments with progress towards CFPB's diversity and inclusion initiatives. The Inspector General noted that, as a result, CFPB could miss opportunities to ensure that supervisors and managers are held accountable for helping CFPB achieve its diversity and inclusion initiatives. The Inspector General recommended that CFPB create specific supervisor and manager performance competencies related to diversity and inclusion.

In September 2015, the Inspector General closed this recommendation based on CFPB's efforts to enhance individual manager accountability through the performance management system in place for fiscal year 2016. In closing this recommendation, the Inspector General noted that CFPB's fiscal year 2016 performance competencies for supervisors and senior managers included measures related to promoting diversity and inclusion. In developing a new performance management system, CFPB has incorporated standards specifically related to diversity and inclusion into their performance competencies for managers and, as discussed earlier, these standards will be in effect beginning in fiscal year 2017. CFPB officials also told us that the quarterly performance reviews (described previously) are another tool CFPB leadership uses to hold leaders accountable for making change. In addition, CFPB can use its

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disciplinary policy to hold employees accountable for misconduct, such as engaging in discrimination or harassment.<sup>61</sup>

In addition, in January 2015, CFPB launched an initiative called Workforce of the Future to build a stronger organizational culture.<sup>62</sup> This initiative is intended to define and shape organizational norms, such as positive employee behaviors, and effective management practices, including promoting diversity and inclusion throughout the bureau. This initiative has been aimed at making people—not just the mission—a priority at CFPB and establishing bureau-wide norms to improve employees' experiences. According to CFPB officials, steps taken to achieve the objectives of the Workforce of the Future initiative include, but are not limited to, developing and communicating norms to guide communications between individual employees; conducting a survey to assess progress made in creating awareness of the norms and modeling the norms; and holding outreach sessions with employees from across CFPB to obtain their input on ideas for improving CFPB's culture and addressing employee concerns.

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## CFPB Does Not Comprehensively Report on Progress Related to Its Diversity, Inclusion, Fairness, and Culture Initiatives

CFPB's efforts to address employee concerns about diversity, inclusion, fairness, and culture together represent a significant change management initiative. As we have previously reported, significant change management initiatives can take years to complete and therefore must be carefully and closely managed and monitored to achieve success.<sup>63</sup> Specifically, our research on significant change initiatives found that it is essential to establish and track implementation goals and establish a

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<sup>61</sup>According to CFPB's policy, actions to address misconduct can range from informal counseling to formal disciplinary actions, such as letters of reprimand, suspension, and termination. CFPB officials also told us that in some cases, where miscommunication or challenging interpersonal dynamics are occurring, the Labor and Employee Relations team recommends mediation through the bureau's Alternative Dispute Resolution process or team-building or coaching services available through third-party vendors procured by the Office of Human Capital.

<sup>62</sup>According to CFPB officials, the Workforce of the Future initiative is led by a steering committee of CFPB's senior leadership, including CFPB's director.

<sup>63</sup>GAO, *Results Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, [GAO-03-669](#) (Washington, D.C.: July 2, 2003).

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timeline to pinpoint performance shortfalls and gaps and suggest midcourse corrections. Furthermore, providing transparency around results and processes used to achieve results can help an organization to build the employee enthusiasm and momentum needed to help ensure that change management initiatives are successful.

CFPB has developed implementation goals and timeframes for some of its initiatives and mechanisms to measure and communicate progress. However, it does not have a comprehensive reporting mechanism to communicate its implementation goals and progress across its full range of initiatives, including those intended to strengthen personnel practices, diversity and inclusion initiatives, and its organizational culture. CFPB officials noted that the bureau has not explored options to report on its progress across these areas in a more comprehensive and integrated manner and that doing so would require attention to how to leverage existing mechanisms without creating undue burdens. As discussed, CFPB has developed some measures related to diversity and inclusion. CFPB officials told us they also plan to collect and respond to employee feedback by using CFPB's existing process for evaluating employee survey results and through its Workforce of the Future initiative. A comprehensive reporting mechanism for showing progress would allow CFPB to (1) better track new and ongoing employee concerns and organizational plans to address them and (2) report on implementation goals and progress across its various initiatives and any outcomes to all employees. A comprehensive approach to reporting on progress across the various initiatives could help to make employees more aware of the status and timeframes for the full range of its initiatives, how these initiatives relate to intended results, and how CFPB is using measures and employee feedback mechanisms to assess its progress. CFPB's actions and initiatives on diversity, inclusion, and fairness have been wide-ranging. They have included new policies, guidance, and training; efforts to enhance communication about personnel practices; several enhancements to diversity and inclusion efforts; and the new Workforce of the Future initiative to strengthen the organizational culture, among others. However, without a strategy for comprehensively reporting on its progress across these initiatives, CFPB may miss opportunities to provide greater transparency and build the employee commitment needed to sustain progress.

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## CFPB Has Strengthened Its Complaints Processes, but Feedback Mechanisms Do Not Fully Address Employees' Concerns

CFPB has taken steps to improve its management of employee complaint processes, such as offering new training to managers and addressing problems with its tracking of complaints. However, our survey indicated that as of spring 2015, over half of the respondents who reported experience with at least one of CFPB's complaint processes had concerns that could affect employees' confidence in using the processes.

CFPB has three employee complaint processes that provide employees the opportunity to have their complaints heard and investigated:<sup>64</sup>

- **EEO complaints.** If a current employee, former employee, or applicant believes that he or she has been discriminated or retaliated against on the basis of a protected class or for prior EEO activity, he or she may file an EEO complaint with the Office of Civil Rights.
- **Negotiated grievances.** CFPB employees covered by the employee union's bargaining unit may file a grievance under CFPB's negotiated grievance process, as described in the collective bargaining agreement. The Office of Human Capital is responsible for managing this process.
- **Administrative grievances.** CFPB employees who are outside of the bargaining unit may file an administrative grievance under CFPB's Open Door and Administrative Grievance Policy. Employees can initiate this process through the Office of Human Capital.

As discussed earlier, CFPB experienced increases in the filings of EEO complaints and grievances at a time when its processes for managing these complaints were relatively new. More recently, in fiscal year 2015, the total number of formal grievances filed fell to 31 (from 68 in fiscal year 2014) and the total number of formal EEO complaints fell slightly to 22 (from 25 in fiscal year 2014). The total number of informal EEO complaints (which are prerequisites for formal EEO complaints) declined from 52 in fiscal year 2014 to 29 for fiscal year 2015, reflecting a 44 percent decrease. CFPB officials told us that one reason grievances

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<sup>64</sup>CFPB employees have some additional options for seeking resolutions of complaints related to whistleblower reprisal, among other factors, that were not within the scope of this report. Employees who believe that they have been subject to retaliation for whistleblower activity can file a complaint with the Office of Special Counsel. Alternatively, an employee can file a whistleblower retaliation complaint directly with the MSPB.

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declined is because of a reduction in complaints about ratings because CFPB has been using a pass-fail system.

In 2014 and 2015, CFPB took steps to strengthen its management of employee complaints. In 2014, the Office of Civil Rights developed a more complete operations manual that provides more detailed guidance to staff to help better ensure that staff process EEO complaints in compliance with federal EEO laws, regulations, and CFPB policies. The April 2015 version of the manual is a working draft that CFPB continues to update, and officials told us they secured contractor support in fiscal year 2015 to assist in writing standard operating procedures to supplement the operations manual and further enhance uniformity and efficiency. CFPB officials also told us that they have added staff to the Office of Civil Rights, including an attorney with EEOC appellate experience and a new administrative position (shared with OMWI) and have authorized positions for a dispute prevention/resolution expert and a data analyst shared with OMWI. The Office of Civil Rights also has obtained detailee support from EEOC's Office of Federal Operation in 2015 and 2016. In September 2015, the Office of Civil Rights requested and worked with an organizational consultant available to all CFPB offices to work with staff members to identify opportunities for improvement in office operations. The Office of Civil Rights and Office of Human Capital have also taken steps to improve tracking of EEO complaints and grievances in response to Inspector General recommendations from a 2015 report.<sup>65</sup> CFPB implemented new standard operating procedures for reconciling the EEO complaints and grievances data. They also said they have recently awarded a contract to implement a commercial software tracking and reporting system that is expected to enhance data quality and reporting.

CFPB has taken steps to encourage informal solutions through greater use of alternative dispute resolution—an alternative approach to filing a formal grievance or complaint, such as using mediation to resolve a dispute or employee complaint. As noted in CFPB's policy, alternative

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<sup>65</sup>See Inspector General report, 2015-MO-C-002. Among other things, the report recommended that CFPB take steps to ensure the accuracy and completeness of EEO complaint data and negotiated grievance data. As of April 2016, the Inspector General had closed the recommendation related to duplicate EEO and grievance filings and two recommendations related to grievance data. The Inspector General continues to monitor CFPB actions to address two recommendations related to managing EEO complaint data.

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dispute resolution can provide faster and less contentious results in workplace disputes, including claims of discrimination and retaliation. In addition, according to CFPB's policy, confidentiality in alternative dispute resolution proceedings must be maintained by the parties, subject to the limited exceptions imposed by statute or regulation. CFPB policy states that alternative dispute resolution can only be used if an employee with a complaint agrees to it. CFPB makes alternative dispute resolution available through its EEO program as well as through its negotiated and administrative grievance policies, and on an ad hoc basis to address any workplace dispute. CFPB has publicized information about alternative dispute resolution, such as through its wiki on the bureau's intranet and newsletters sent to managers and employees. In addition, in 2015, the Office of Civil Rights created an in-house training module on Alternative Dispute Resolution to supplement the EEO training managers and supervisors receive and to provide to nonsupervisory employees.

While CFPB has made progress in strengthening its management of complaint processes, employee views collected through our survey and interviews suggest that many employees with experience with CFPB's complaint processes lack confidence and trust in CFPB's management of these processes. EEOC officials told us that it is critical that employees have confidence in the complaint process and agencies should try to address perceptions, such as beliefs that their complaints will not be treated appropriately or fairly, which could discourage employees from using the EEO process. As discussed previously, 33 of the 46 employees (72 percent) who reported experience with the EEO complaint process and 55 of 77 employees (71 percent) who reported experience with the grievance process disagreed that CFPB management made a good faith effort to resolve complaints informally. As discussed previously, CFPB has taken steps to encourage and support informal resolution. CFPB officials also told us that in some cases the remedy the employee is seeking may require a formal process. For example, if the employee requests a rating change within 60 days of receiving the rating, the request may be resolved informally, but if the issue is raised after this period, the agency may only revise the rating as the result of a complaint or other formal proceeding that results in a determination or settlement that the rating must be changed.<sup>66</sup>

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<sup>66</sup>See 5 C.F.R. § 430.208(i)(1)-(2).

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Our survey results also suggested that some employees do not trust the EEO complaint process or grievance process to respect the confidentiality of their complaint. For example, of the employees who reported experience with the EEO complaint process, over half (26 of 47) responded that they did not have confidence that managers and others with a need to know about specific complaints did not inappropriately share information with others without a need to know, and 34 of 78 employees had a similar view of the grievance process. Some employees (16 of 47) also lacked confidence that CFPB's Office of Civil Rights maintained confidentiality of their EEO complaint. CFPB officials acknowledged that respecting confidentiality is key to maintaining employees' trust in these processes, and CFPB's EEO guidance to supervisors and managers emphasizes the importance of confidentiality. CFPB officials told us they were aware of a few instances where information was inadvertently shared beyond a "need to know" basis and that those staff had been counseled on the importance of protecting the privacy of employees using the EEO process. In October 2015, the Office of Civil Rights also invited CFPB privacy experts to a staff meeting to conduct training that emphasized the importance of protecting personally identifiable information.

In addition, 23 of the 45 survey respondents who reported experience with the EEO complaint process disagreed that CFPB's Office of Civil Rights is a neutral party in the complaint process and is independent of CFPB's Legal division and others in CFPB who may have conflicting or competing interests. For example, one employee thought that CFPB's Legal division, which represents CFPB in EEO complaints, advises the Office of Civil Rights. CFPB officials told us the Office of Civil Rights operates independently from the Legal division and has its own legal staff to conduct legal reviews and research following EEOC guidance for federal agencies, including, for example, accepting and dismissing formal complaints for investigation, defining legal claims, and issuing final agency decisions related to whether or not illegal conduct occurred. The Office of Civil Rights developed frequently asked questions and added information to its training modules to explain the office's neutral role and its independence from the Legal division and the Office of Human Capital. The updated training module was included in all new employee orientation sessions in March 2016.

CFPB's policies state that the Office of Civil Rights is responsible for assessing the EEO program and monitoring trends and the Office of Human Capital is responsible for monitoring the grievance processes. The Office of Civil Rights has taken some steps to assess employees'

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experiences with the process through feedback surveys. Initially, it developed a short feedback survey for employees who had attended EEO training or gone through mediation as part of an alternative dispute resolution process, but officials told us that most employees declined to complete the feedback surveys. The Office of Civil Rights has drafted a new survey specifically soliciting feedback about all stages of the EEO process, including the counseling and investigation stages in addition to the use of alternative dispute resolution, and has improved the design of the survey instrument to include a five-level rating scale instead of yes/no questions. The draft survey includes questions about (1) whether the parties involved in alternative dispute resolution acted in good faith, (2) confidence that confidentiality was maintained during the informal process, (3) fairness of the counseling and investigative processes, and (4) the fairness and impartiality of EEO counselors and investigators. CFPB officials told us they plan to roll out the surveys uniformly in calendar year 2016. They also noted that the Office of Civil Rights has an open door policy and receives feedback from participants in the EEO process through informal mechanisms such as e-mails, phone calls, and office visits. EEOC officials told us that conducting surveys to obtain feedback and perceptions about the complaint process is a good practice.

The new survey has the potential to provide valuable information that CFPB can use to improve its EEO complaints process, but it will not capture the views of employees who used either of the two grievance processes. CFPB's Office of Human Capital's monitoring and evaluation efforts have not incorporated mechanisms to solicit employee feedback on experience with the negotiated and administrative grievance processes. Furthermore, although CFPB includes questions in its annual employee viewpoint survey about tolerance for prohibited personnel practices and respect for differences among individuals, this mechanism is not sufficient for assessing whether employees perceive that they can use the complaint processes without fear of reprisal. Without a broader assessment of factors that may be contributing to negative perceptions and experiences with its complaint processes, CFPB may not succeed in meeting its goal to be supportive of employees' use of these processes.

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## Conclusions

Since early 2014, when CFPB shared information with employees about racial disparities in performance ratings, CFPB has undertaken numerous efforts to improve personnel management and promote a more diverse, inclusive, and fair workplace. Many of CFPB's initiatives have been implemented only recently, and because changing employee perceptions and behaviors can take time, it is too soon to know the effectiveness of



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CFPB's efforts in these areas. For example, our spring 2015 survey results indicate that employees in some parts of the bureau and in some demographic groups continued to have heightened concerns about unfair treatment, retaliation for raising issues, accountability, and other matters.

Negative perceptions about fairness, trust, and accountability can take years to address, and it will be important for CFPB to provide ongoing attention to the effectiveness of its efforts to address these perceptions and related personnel challenges. While CFPB has developed mechanisms to measure and communicate progress on its diversity, inclusion, and culture initiatives, it does not comprehensively report on its implementation goals and progress across the full range of these initiatives. As we have previously reported, providing transparency around results and processes used to achieve results can help an organization to build and sustain the commitment and momentum needed to ensure that change initiatives are successful. In particular, because CFPB's initiatives have been wide ranging, a more comprehensive and integrated approach to reporting progress could make it easier for CFPB employees to understand the status and timeframes for various actions, their intended results, and CFPB's progress in achieving these results. In addition, as bureau leadership and priorities can shift over time, a comprehensive approach could help to ensure sustained commitment to progress and accountability among CFPB leaders.

Finally, an important part of ensuring a diverse, inclusive, and fair workplace is promoting employees' confidence that they can pursue resolution of problems through available channels, such as alternative dispute resolution, the formal EEO process, and the grievance processes. While CFPB has taken steps to improve its management of complaints—particularly with respect to EEO complaints—our survey results highlighted concerns among employees who have had experience with these complaint processes. CFPB is in the process of developing new tools to collect employees' feedback on their experiences with the EEO process, but has not done something similar for the employee grievance processes. Taking additional steps to understand and remedy factors that may reduce employee confidence in its complaint processes, such as implementing tools to collect more comprehensive employee feedback, will be an important part of CFPB's ongoing efforts to promote a more diverse, inclusive, and fair workplace.

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## Recommendations for Executive Action

In order to ensure sustained leadership commitment to and accountability for CFPB's efforts to promote a diverse, inclusive, and fair workplace, we recommend that the Director take the following two actions:

- Develop and implement a strategy for comprehensively reporting on the bureau's implementation goals and progress on its range of initiatives related to promoting diversity, inclusion, fairness, and a stronger organizational culture.
- In coordination with representatives of CFPB's employee union, develop tools to collect more comprehensive employee feedback on the grievance complaint processes to understand and remedy factors that may reduce employee confidence in these processes.

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## Agency Comments and Our Evaluation

We made copies of this draft report and the accompanying e-supplement (GAO-16-138SP) available to CFPB for its review and comment. In its written comments, reproduced in appendix II, CFPB concurred with our two recommendations. CFPB also provided technical comments that were incorporated, as appropriate. We also provided an excerpt of the draft report to EEOC for technical comment. EEOC did not provide any comments.

In concurring with our first recommendation to comprehensively report on its goals and progress on its range of diversity, inclusion, fairness, and organizational culture initiatives, CFPB cited examples of mechanisms it currently uses to both track individual initiatives and monitor progress across its many programs and offices. CFPB noted that consolidating and augmenting its existing monitoring efforts for these initiatives will provide a fuller picture of progress and opportunities for efficiency and further innovation.

In concurring with our second recommendation on feedback tools for the grievance complaint process, CFPB noted that our survey results on CFPB employees' views of CFPB's complaint processes reflect responses from a small group of employees and in some cases the negative views appear to reflect employee misunderstanding. CFPB noted that this group was smaller because it represented employees responding to our survey that had experience with one or more of the complaint processes. However, our report did not conclude that these employees' views were merely due to misunderstandings. We do not know if the concerns were based only on misunderstandings or other reasons. Furthermore, as we noted in the report, EEOC told us that

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negative perceptions need to be addressed so that employees have confidence in using a complaint process. CFPB agreed that gathering feedback on its complaint processes could help detect and correct employee misunderstandings and identify opportunities for process enhancements. With respect to negotiated grievances, CFPB said it plans to work with its employee union to develop feedback mechanisms that provide it with useful information while respecting the distinct roles that CFPB management and the union play in that complaint resolution process.

In its written comments, CFPB highlighted some differences between our survey results and the results of CFPB's 2015 annual employee survey. For example, CFPB suggested that some of GAO's survey results contrast with the favorable score (66 percent) and lack of statistically significant differences among demographic groups on CFPB's Inclusion Quotient (an index based on 20 questions from CFPB's survey). In addition, CFPB asserted that strong survey results on certain of its own survey questions related to prohibited personnel practices contrast with more negative results on different (but related) questions in our survey of nonexecutive employees. We note that differences in wording and topics between the relevant GAO and CFPB survey items limit the usefulness of such comparisons. Furthermore, the Inclusion Quotient CFPB refers to provides an index of 20 separate survey items, about half of which cover topics that were not covered in our two surveys. While noting these differences in the survey results, CFPB said that our survey results provide additional data on these issues and that it looks forward to analyzing them further and incorporating insights drawn from them into its ongoing work.

On April 12, 2016, CFPB provided via e-mail technical comments on the draft report that included updated information on various personnel management efforts, among other comments. We summarize their most significant comments and our responses below.

- CFPB provided technical comments and supporting documentation related to additional progress on its efforts discussed in our report's third objective. As appropriate, we made edits to the report to reflect this new information. Among other examples, we updated the report's discussion to reflect CFPB's April 2016 announcement of agreement on a new performance management program, the closure of additional Inspector General recommendations in March 2016, and additional steps CFPB has taken in response to Inspector General recommendations related to succession planning and incorporating

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diversity and inclusion into performance competencies for supervisors and managers. In addition, we incorporated additional information about CFPB's efforts to strengthen its management of employee complaint processes.

- CFPB noted that while our draft report presented selected results from CFPB's 2015 annual employee survey, it did not discuss the positive trends in this survey's results compared to the prior year. CFPB suggested that further discussion of its 2015 employee survey results would provide a more accurate snapshot of organizational culture at CFPB. In presenting CFPB employees' views on organizational culture, the primary focus of our report is the results of our own surveys of CFPB employees. We conducted our surveys between April and June 2015, before the administration of CFPB's 2015 annual employee survey in July and August 2015. Where appropriate, our report provides comparisons to similar questions from CFPB's own 2015 survey but many of our survey questions were different from CFPB's survey questions and therefore are not comparable. Furthermore, it was beyond the scope of this GAO review to analyze and draw conclusions about trends in CFPB's employee survey results over time (including both positive and negative trends observed in recent year-over-year comparisons).

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As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies of this report to CFPB, interested congressional committees, members, and others. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

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If you or your staffs have any questions regarding this report, please contact me at (202) 512-8678 or [GarciaDiazD@gao.gov](mailto:GarciaDiazD@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix III.

A handwritten signature in black ink, appearing to read "Daniel Garcia-Diaz". The signature is fluid and cursive, with a long horizontal stroke at the bottom.

Daniel Garcia-Diaz  
Director, Financial Markets  
and Community Investment

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*List of Requesters*

The Honorable Jeb Hensarling  
Chairman  
Committee on Financial Services  
House of Representatives

The Honorable Sean Duffy  
Chairman  
Subcommittee on Oversight and Investigations  
Committee on Financial Services  
House of Representatives

The Honorable Randy Neugebauer  
Chairman  
Subcommittee on Financial Institutions and Consumer Credit  
Committee on Financial Services  
House of Representatives

The Honorable Patrick McHenry  
House of Representatives

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# Appendix I: Objectives, Scope and Methodology

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This report examines (1) the Consumer Financial Protection Bureau's (CFPB) early efforts as a new agency to establish personnel practices and organizational culture and challenges it encountered in promoting a diverse, inclusive, and fair workplace; (2) employees' views on personnel management and organizational culture at CFPB; and (3) CFPB's efforts to strengthen its personnel management practices and organizational culture.

To describe CFPB's early efforts as a new agency to establish personnel practices and an organizational culture, we reviewed CFPB reports and documents, and testimony and public statements by CFPB officials. To describe CFPB's efforts to grow its workforce and meet statutory and mission-related goals, we reviewed CFPB's annual reports to Congress for fiscal years 2012 through 2014, including reports on the Office of Human Capital's efforts to build its workforce and develop its processes for hiring, training, performance management, and other human capital functions; the Office of Minority and Women Inclusion's (OMWI) efforts to promote diversity and inclusion; and CFPB's overall progress in delivering results for consumers. We obtained and analyzed CFPB workforce data for fiscal years 2011 to 2015 to describe the growth and level of diversity in CFPB's workforce. We also reviewed data and documentation related to CFPB's initial efforts to identify and address specific personnel challenges. For example, we reviewed a 2013 report by a management consulting firm on CFPB's diversity and inclusion efforts and CFPB's internal analysis of disparities in performance ratings by race and other factors for fiscal year 2013. In addition, to describe trends in the number and basis of employee complaints, we obtained and analyzed CFPB data for fiscal years 2011 to 2015 on Equal Employment Opportunity (EEO) complaints and grievances. To describe employee perspectives on challenges CFPB faced as a new agency, we reviewed the report by CFPB's Office of Minority and Women Inclusion on listening sessions it held with employees from April through June 2014.<sup>1</sup> We also interviewed current and former CFPB officials who were employed at CFPB in its first 2 years.

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<sup>1</sup>Between April and June 2014, OMWI conducted 48 listening sessions with more than 300 employees and issued a report with its findings and recommendations in August 2014.

We obtained CFPB employees' views on personnel management and organizational culture through interviews with current and former employees and two web-based surveys:

**Interviews.** To identify key issues and concerns related to CFPB's personnel management practices and organizational culture and to inform survey development, we provided opportunities for all CFPB employees to meet or communicate with us individually in a confidential manner. We set up a GAO toll-free phone number and e-mail address for CFPB employees to use to arrange a meeting with our team or provide information. From August 2014 through May 2015, we held one-on-one interviews with 120 nonsupervisory and supervisory staff.

**Surveys.** From April through June 2015, we conducted two separate self-administered web-based surveys: one survey of all 1,389 CFPB employees (nonsupervisors and supervisors below executives) who were employed as of January 31, 2015, and another survey of 57 senior CFPB executives.<sup>2</sup> We chose to survey all staff instead of a sample in order to provide the largest possible number of CFPB employees a chance to voice their opinions. The nonexecutive survey included questions on (1) hiring, compensation, and retention; (2) employee opportunities, development and performance management; (3) employee complaint processes; (4) leadership, management, and communication; (5) diversity and inclusion efforts; (6) organizational culture and climate; and (7) employee demographic information. The separate survey of all CFPB executives covered the same topic areas, but omitted many questions not relevant for executives. The full set of questions and results for both surveys is available as an e-publication supplement to this report, *Consumer Financial Protection Bureau: Survey Results from Employees and Executives on Personnel Management and Organizational Culture* ([GAO-16-138SP](#), May 2016). Furthermore, we report results for groups of respondents by race, ethnicity, gender, and age, but we do not attempt to extrapolate the findings within each of these groups to the broader group. Survey respondents self-reported their race and ethnicity. Respondents were able to select more than one race, so it is possible that some

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<sup>2</sup>For the purposes of this report, we defined CFPB executives as employees at pay grade 80 or higher. According to CFPB officials, executive positions at pay grade 80 or above are comparable to positions in the Senior Executive Service at other federal agencies. Based on this definition, CFPB executives include heads of divisions and offices and their deputies.



respondents are represented in more than one race and ethnicity group. In tables where we summarize results by race and ethnicity, we include results for the group of respondents who chose not to identify their race or ethnicity. In addition, in tables in this report and the e-supplement, we exclude results for groups with fewer than 20 respondents.

A total of 863 employees responded to our nonexecutive survey for a response rate of 62 percent. A total of 36 senior executives responded to our executive survey for a response rate of 63 percent. For the nonexecutive survey, we carried out a statistical nonresponse bias analysis using available administrative data and determined that we could not assume the nonrespondents were missing at random. We found that the propensity to respond was statistically correlated with employee age and the CFPB division an employee worked in. Furthermore, we observed that responses to questions on the survey also correlated with employee age. For this reason, the results of the staff survey are presented as tabulations from a census survey. We do not make any attempt to extrapolate the findings to the 38 percent of eligible staff who chose not to complete our survey.

To minimize other types of errors, commonly referred to as nonsampling errors, and enhance data quality, we employed recognized survey design practices in the development of the questionnaires and the collection, processing, and analysis of the survey data. To develop our survey questions, we drew on information from the one-on-one interviews, prior GAO-administered personnel management surveys, and the Office of Personnel Management's Federal Employment Viewpoint Survey. We pretested the nonexecutive questionnaire with nine CFPB employees and the executive questionnaire with three executives. During survey development, we reviewed the survey to ensure the ordering of survey sections was appropriate and that questions in each section were clearly stated and easily comprehended. A GAO survey expert reviewed and provided feedback on our survey instrument. To reduce nonresponse, another source of nonsampling error, we undertook an intensive follow-up effort that included multiple e-mail reminders to encourage CFPB employees and executives to complete the questionnaire. We minimized processing errors by having a second independent data analyst conduct an accuracy check of the computer programs used for data analysis. Also, having the respondents complete questionnaires online eliminated errors associated with manual data entry. On the basis of our application of these practices and follow-up procedures, we determined that the data were of sufficient quality for our purposes.

In addition to our own surveys and interviews with CFPB employees, we reviewed CFPB's annual employee survey results for fiscal years 2013, 2014, and 2015 to obtain additional perspectives from CFPB staff on the bureau's personnel management-related issues. In addition, we reviewed documents and data from the Office of Personnel Management (OPM) and the Merit Systems Protection Board to provide information about the views of federal government employees on these issues.<sup>3</sup> We assessed the reliability of these survey data by reviewing documentation of the methodology for these surveys and found these survey data to be reliable for our purposes.

To evaluate CFPB's efforts to develop and strengthen its personnel management and organizational culture, we reviewed relevant CFPB reports, policies, procedures, training programs, planning documents, and external reviews. We used criteria from applicable federal regulations, leading practices for diversity and managing organizational change identified in prior GAO reports, and GAO standards for internal control.<sup>4</sup> We also interviewed CFPB officials from the OMWI, the Office of Human Capital, the Legal division, and the Strategy Office. To learn more about CFPB's personnel management changes, we reviewed CFPB's hiring, promotions, and commissioning policies and procedures and communications and guides CFPB created to enhance career development. We reviewed training programs developed for managers and CFPB's plans for developing its new performance management system, including a research firm's report on the identification and development of new performance competencies.<sup>5</sup> We also reviewed a

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<sup>3</sup>The Merit Systems Protection Board is an independent quasijudicial agency in the executive branch that adjudicates employee appeals of personnel actions and conducts studies of the federal merit system.

<sup>4</sup>GAO, *Diversity Management: Expert-Identified Leading Practices and Agency Examples*, [GAO-05-90](#) (Washington, D.C.: Jan. 14, 2005), *Aviation Acquisition: A Comprehensive Strategy Is Needed for Cultural Change at FAA*, GAO/RC ED-96-159 (Washington, D.C.: Aug. 22, 1996), *Results Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, [GAO-03-669](#) (Washington, D.C.: July 2, 2003), and *Internal Control: Standards for Internal Control in the Federal Government* [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

<sup>5</sup>PDRI, *The Consumer Financial Protection Bureau: Development of Competency Models for Team Members and Leaders*, Technical Report No. 848 (Arlington, VA: March 2015).

consultant's review of possible factors contributing to disparities in performance management ratings under its current system.<sup>6</sup>

To assess CFPB's efforts to improve diversity and inclusion throughout the bureau, we reviewed challenges identified in reports by CFPB summarizing listening sessions with employees, by the Office of the Inspector General of the Board of Governors of the Federal Reserve System and the CFPB (Inspector General) and by Deloitte, a management consulting firm.<sup>7</sup> We assessed CFPB's efforts to implement recommendations from these reports by reviewing memorandums from leadership, employee trainings, and internal documents describing new employee groups as well as recruitment, strategic planning, and succession planning efforts. In addition, we interviewed CFPB and Inspector General staff about the status of CFPB's efforts to implement recommendations made by the Inspector General. We analyzed CFPB's efforts to track progress related to diversity and inclusion through their internal analysis of annual employee survey results, management's quarterly performance reviews from 2014 through mid-2015, and documents describing the goals and outcomes of employee groups associated with the Workforce of the Future initiative. We also discussed the development of CFPB's new performance management system and competencies through interviews with CFPB officials. To assess manager accountability mechanisms, we examined CFPB's current competency models, updated guidance for these models, and interviewed relevant officials. We also reviewed CFPB's disciplinary policy.

To assess CFPB's efforts to strengthen its processes for addressing employee complaints, we reviewed policies, procedures, and guidance related to Equal Employment Opportunity complaints and grievances. We reviewed survey instruments that the Office of Civil Rights uses or plans

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<sup>6</sup>Charles River Associates, "Report on the Review of the Performance Management Process Used at the Consumer Financial Protection Bureau," (Boston, MA: June 12, 2015).

<sup>7</sup>Office of the Inspector General of the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau, *The CFPB Can Enhance Its Diversity and Inclusion Efforts*, 2015-MO-C-002 (Washington, D.C.: Mar. 4, 2015); Office of the Inspector General of the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau, *The CFPB Can Further Enhance Internal Controls for Hiring Processes*, 2015-MO-C-013 (Washington, D.C.: Aug. 26, 2015); and Deloitte, *Consumer Financial Protection Bureau, Office of Minority and Women Inclusion, Diversity and Inclusion, Final Assessment*, 2013.

to use to obtain feedback from employees using the EEO process. We also reviewed CFPB's efforts to improve tracking of EEO complaints and grievances as recommended by the Inspector General in 2015. We interviewed officials from the Office of Civil Rights who are responsible for CFPB's EEO program and from the Office of Human Capital, which is responsible for CFPB's grievance processes. We also interviewed officials from the Equal Employment Opportunity Commission (EEOC) about the EEO complaint process and how agencies can evaluate their program and address negative employee experiences and perceptions.

For the parts of our work that involved the analysis of computer-processed data, we assessed the reliability of these data and found that they were sufficiently reliable for our purposes. Data sets for which we conducted data reliability assessments include CFPB data on its workforce demographics and on employee complaints. To assess the reliability of these data, we reviewed relevant documentation and conducted interviews with CFPB staff to review steps they took to collect and ensure the reliability of the data. In addition, we electronically tested data fields for missing values, outliers, and obvious errors. We determined that these data were sufficiently reliable for our purposes.

We conducted this performance audit from September 2014 to May 2016 in accordance with generally accepted government auditing standards. 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 II: Comments from the Consumer Financial Protection Bureau



1700 G Street NW, Washington, DC 20552

April 21, 2016

Mr. Daniel Garcia-Diaz  
Director, Financial Markets and Community Investment  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Mr. Garcia-Diaz:

Thank you for the opportunity to comment on the Government Accountability Office's draft report (GAO 250757) addressing the Consumer Financial Protection Bureau's organizational culture and personnel management. We appreciate GAO's extensive consultation with the Bureau over the course of its 20-month review as well as the expertise and professionalism that GAO staff brings to this important work. GAO's report provides important and constructive information about the Bureau's work environment, including its many diversity and inclusion programs and initiatives. As a new agency, the Bureau has invested substantial resources in building a workplace that fosters collaboration, leverages diverse viewpoints, and offers development and advancement opportunities to all employees. As GAO's report recognizes, creating a positive organizational culture at a new agency is a complex task. The Bureau has been deeply committed to getting this critical task right and took key steps to create such a culture in the first years of its existence. These efforts included:

- Establishing an Office of Minority and Women Inclusion by January 2012 in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act.
- Opening its own internal Office of Civil Rights (then-named the Equal Employment Opportunity Office) in February 2013, bringing this essential function initially handled by the Treasury Department under Bureau leadership and making it more accessible to Bureau employees.
- Providing interactive diversity and inclusion awareness training to employees.
- Requiring managers to attend external management trainings while developing an internal training curriculum that the Bureau launched in 2014.
- Initiating a 2.5-year Bureau-wide research effort to develop robust competency models describing the skills and expertise expected for all Bureau positions.

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- Building a recruitment outreach function focused on identifying diverse talent pools, including recruitment through professional organizations and online communities focused on diversity.
- Introducing structured interview training to guard against bias in the interview process and improve the quality of personnel selections.
- Using an Inclusion Quotient developed by the Office of Personnel Management to monitor Annual Employee Survey responses related to the Bureau's inclusiveness.

Over the past two years, which form the core of GAO's report, the Bureau has continued to build its organizational culture and enhance its personnel management through development of new initiatives. Additional steps taken during this time period included:

- Elevating OMWI and OCR to the Office of the Director.
- Through OMWI, conducting 48 listening sessions with more than 300 employees to better understand on-the-ground employee experiences and developing recommendations based on that feedback, most of which have been implemented.
- Creating the Executive Advisory Council, a cross-divisional advisory group that integrates diversity and inclusion into the Bureau's operations through strategic guidance to the Bureau's Director and senior leaders.
- Establishing the Diversity and Inclusion Council of Employees, a staff-level analogue to the EAC that provides critical input on staff experience in regular meetings with Bureau leadership.
- Working with the Bureau's union, the National Treasury Employees Union, to establish a joint Career Pathing Working Group to develop career planning strategies and provide recommendations on opportunities for employee advancement.
- Launching a detail opportunities page on the Bureau's intranet to increase transparency and encourage more employees to apply for these valuable opportunities.
- Piloting a mentoring program and assessing its results to inform Bureau-wide roll-out.
- Creating a dedicated team within the Operations Division to improve communications to staff regarding Bureau events, policies, procedures, and other issues involving Bureau culture and work life.
- Validating new competency models describing the skills and expertise expected for team members and leaders and adding supplemental diversity and inclusion behaviors to existing standards for managers.
- Through OCR, commencing a two-day mandatory manager and supervisor training workshop led by the EEOC Training Institute and developing an Alternative Dispute Resolution training module, among other training and learning opportunities made available by OCR.
- Mandating employee participation in a Diversity and Inclusion Awareness Workshop.
- Developing a comprehensive policy for the establishment of employee-led Employee Resource Groups.

Overall, the Bureau has made steady progress in building an infrastructure that supports a vibrant organizational culture. As discussed in the GAO report, however, issues with the Bureau's initial performance management program presented a setback in these efforts. The Bureau self-identified disparate outcomes across demographic groups in its 2013 performance ratings. Although an independent expert assessed potential root causes of these differences and found no evidence of intentional discrimination, the Bureau recognized the need to replace the prior system and address its impact on pay and ratings. To that end, the Bureau made remediation payments exceeding \$4 million, ensuring that employees who received at least a passing rating under the previous flawed system were compensated as though they had received the highest rating. The Bureau also replaced its initial performance system with an interim one and formed a working group with NTEU to develop a new permanent system. After several months and 26 working group meetings, the Bureau announced adoption of a new system this spring.

We regret the challenges generated by our previous performance system and are confident that the prompt, thoughtful, and vigorous work undertaken to reform and improve the Bureau's system will prevent recurrences. A congressional staff report issued in the fall of 2015 concluded that the Bureau's "willingness to hold itself accountable for achieving a non-discriminatory work environment" by assessing performance management system outcomes and taking appropriate action represents a best practice.<sup>1</sup> The independent firm tasked with assessing potential causes of and the Bureau's response to disparate outcomes under the old system further concluded that the Bureau's efforts were not only "reasonable and sufficient, but demonstrate a sensitivity and level of concern that is much greater than other organizations."<sup>2</sup>

The Bureau recognizes that diversity and inclusion form an especially critical component of its organizational culture, and that, as stated in our Business Case for Diversity and Inclusion, "a diverse and inclusive workforce is essential to building an agency that can do its very best work." As GAO's report recognizes, the Bureau has taken many steps considered best practices to build and maintain such a workplace, including those highlighted above. We have also taken steps to weave diversity and inclusion efforts into the fabric of work life at the Bureau and to preserve their importance by requiring each division of the Bureau to adopt diversity and inclusion goals and objectives, which are reviewed and discussed at Quarterly Performance Review meetings that include both the Bureau's Director and the OMWI Director. The Bureau has embedded diversity and inclusion principles and goals into its agency-wide strategic plan, as well, and published a

<sup>1</sup> Minority Staff of H. Comm. on Financial Services, 114th Cong., *The Dodd-Frank Act Five Years Later: Diversity in the Financial Services Agencies* 24 (November 5, 2015), [http://democrats.financialservices.house.gov/uploadedfiles/fsc\\_dems\\_-\\_staff\\_report\\_-\\_dodd-frank\\_five\\_years\\_later\\_-\\_diversity\\_in\\_the\\_financial\\_services\\_agencies\\_-\\_final.pdf](http://democrats.financialservices.house.gov/uploadedfiles/fsc_dems_-_staff_report_-_dodd-frank_five_years_later_-_diversity_in_the_financial_services_agencies_-_final.pdf).

<sup>2</sup> Charles River Associates, Report on the Review of the Performance Management Process Used at the Consumer Financial Protection Bureau 6 (June 12, 2015).



Diversity and Inclusion Strategic Plan<sup>3</sup> aligned to the Office of Personnel Management's *Government-Wide Diversity and Inclusion Strategic Plan*.

The commitment demonstrated by these many efforts comes from the very top of the organization. Senior Bureau leaders have made a sustained, substantial, and visible commitment to fostering a positive organizational culture and to integrating fairness, diversity, and inclusion into agency actions and decisions. This commitment, evidenced by initiatives outlined above, is the motivation behind the Bureau's Workforce of the Future program, described briefly in GAO's report. Workforce of the Future brings together leaders from the Office of the Director, the Office of Human Capital, OMWI, OCR, and other Bureau divisions in a focused effort to sustain a culture where everyone is empowered to do their best work. For example, in 2015, Workforce of the Future developed norms, including a norm about valuing diversity and inclusion, to guide interactions between individual employees and between units within the agency, and these norms are displayed throughout Bureau meeting spaces. Workforce of the Future has called on leaders at all levels—from the Bureau Director to first-line supervisors—to model these norms and to hold themselves and their colleagues accountable for upholding them. Furthermore, Workforce of the Future will hold periodic employee outreach sessions so that employees can provide feedback on the program's progress and make recommendations for improvement. Our intention is that, through regular solicitation of employee feedback, the Bureau's culture will consistently represent the voices of our diverse pool of employees.

The most current and rigorous survey of Bureau employees' workplace experience demonstrates that these many efforts have been effective. As noted in GAO's report, the Bureau uses the OPM-administered Annual Employee Survey to monitor employee perceptions, and we conduct extensive analysis and convene AES working groups to leverage survey information in assessing program successes and identifying opportunities for improvement.<sup>4</sup> We are pleased with our considerably positive 2015 AES results, which echo strengths identified in the GAO survey, show improvement over 2014 AES results, and underscore the value of the ongoing efforts described in GAO's report.<sup>5</sup> For example, the number of Bureau "strengths"<sup>6</sup> identified increased from 38 in 2014 to 48 in 2015, and the number of "challenges" and "issues to watch" declined from 19 to 10

<sup>3</sup> Consumer Fin. Prot. Bureau, *CFPB Diversity and Inclusion Strategic Plan 2016-2020* (Oct. 2015), available at [http://files.consumerfinance.gov/f/201510\\_cfpb\\_diversity-and-inclusion-strategic-plan-2016-2020.pdf](http://files.consumerfinance.gov/f/201510_cfpb_diversity-and-inclusion-strategic-plan-2016-2020.pdf).

<sup>4</sup> We also use other channels, such as the Diversity and Inclusion Council of Employees, to learn about employee perspectives.

<sup>5</sup> The Bureau provided GAO with advance access to 2015 AES results in October 2015 and with a copy of the full report on the results in November 2015 (when those results were shared with Bureau employees). Bureau staff also highlighted for GAO staff key differences between the AES and GAO surveys and their results, including those discussed in this response. Given the high quality and reliability of the AES survey data and its direct relevance to the issues GAO studied in this review, we are surprised that GAO has largely declined to consider the 2015 AES results in its report.

<sup>6</sup> Similar to the approach taken by OPM, the Bureau categorizes a survey item as a "strength" if 65% or more of responses to it are favorable (e.g., agree/strongly agree).



in the same period.<sup>7</sup> Bureau employees reported high satisfaction with their jobs (75.2% favorable, compared to a 65.2% favorable response government-wide) and with the Bureau (70.7% favorable, compared to 55.7% government-wide).<sup>8</sup> And as in the GAO survey,<sup>9</sup> respondents across demographic groups indicated deep trust in their immediate supervisors in the 2015 AES, indicating that supervisors treat them with respect (91.5% favorable), work well with employees of different backgrounds (75.9% favorable), and are committed to a workforce that is representative of all segments of society (82.8% favorable).

The 2015 AES returned positive results in several other areas highlighted in the GAO report. For example, the GAO report notes certain areas in which GAO observed higher unfavorability rates from some demographic groups than from others. Although differences do persist in some areas, the Bureau's 2015 AES results included only 12 items that were "challenges" for some groups but not for others, a 50% decrease from the 24 items observed in 2014. Importantly, the Bureau's 2015 AES results showed no statistically significant differences between race, ethnicity, or gender groups on OPM's Inclusion Quotient composite, which combines responses related to fairness, openness, cooperation, supportiveness, and empowerment.<sup>10</sup> These results validate the Bureau's progress in fostering an organizational culture in which every Bureau employee feels they have an equal opportunity to thrive.

Some differences between the Bureau's 2015 AES results and GAO's earlier, smaller, and more limited survey<sup>11</sup> are worth highlighting. The 2015 AES results reflect more favorable perceptions related to diversity, inclusion, discrimination, and retaliation than either the 2014 AES results or analogous GAO survey items. While GAO notes differences in perceptions among demographic groups in response to certain items in its survey, the Bureau's Inclusion Quotient score in 2015 was 65.8% (a "strength"), with no statistical difference among demographic groups. Of five Inclusion Quotient indices, the Bureau exceeds government-wide favorability rates by 10% on three of those indices and by 5% on one more of them. Most Bureau employees agree that differences among individuals are respected and valued (77% favorable)<sup>12</sup> and that policies and programs promote

<sup>7</sup> Similar to the approach taken by OPM, the Bureau categorizes a survey item as a "challenge" if 35% or more of responses to it are unfavorable (e.g., disagree/strongly disagree). We also have implemented a second category ("issues to watch") for items that receive between 25% and 35% unfavorable responses.

<sup>8</sup> Both of these areas were "strengths" for all demographic groups reported in the survey.

<sup>9</sup> See Draft of U.S. Gov't Accountability Off., *Consumer Financial Protection Bureau: Additional Actions Needed to Support a Fair and Inclusive Workplace* 18 (2016) (discussion of supervisor-related items) [hereinafter "GAO Draft Report"].

<sup>10</sup> Statistically significant differences were only observed in one of these categories (Openness).

<sup>11</sup> GAO's survey, conducted in April 2015, predated OPM's administration of the Bureau's AES by several months. While the response rate for GAO's employee survey was 62%, the response rate for the Bureau's AES was 79%. Furthermore, while GAO found a nonresponse bias in its results—meaning its findings *cannot* be extrapolated to the 38% of employees who elected not to complete the survey and thus do not represent the views of Bureau employees on the whole—no such bias exists in the Bureau's 2015 AES results.

<sup>12</sup> GAO's report suggested that, among employees who responded, differences existed between demographic groups (black/white, male/female, over/under 40), but the 2015 AES results show both lower unfavorable response rates

diversity in the workplace (72.8% favorable).<sup>13</sup> GAO reads its survey results to imply some level of concern about programs designed to protect against mistreatment in the workplace. But the Bureau's 2015 AES results show that Bureau employees are confident that prohibited personnel practices are not tolerated (73.7% agreed, making this a "strength," compared to 65.6% government-wide) and that they can disclose a suspected violation of any law, rule, or regulation without fear of reprisal (74.1% agreed, also a "strength," compared to 61.2% government-wide).<sup>14</sup> Neither of these issues emerged as a "challenge" or "issue to watch" for any demographic group. These results reinforce our confidence that the Bureau's organizational culture and programs are strong and our optimism that they are growing stronger. The survey GAO conducted, though earlier in time and more limited in application, provides additional data on these issues, and we look forward to analyzing it further and incorporating insights drawn from it into our ongoing work.

We are proud of our progress in building an effective and supportive organizational culture at the Bureau, and we also recognize that maintaining a diverse, inclusive, fair, and efficient culture requires enduring commitment. Outside perspectives and recommendations, such as those GAO provides in its report, offer valuable insight and opportunities to further enhance our organizational culture and personnel management programs and practices. In that spirit, we accept both of GAO's recommendations. Specific information regarding the Bureau's work in connection with these recommendations follows:

1. *Develop and implement a strategy for comprehensively reporting on the bureau's implementation goals and progress on its range of initiatives related to promoting diversity, inclusion, fairness, and a stronger organizational culture.*

The Bureau agrees with GAO that its organizational culture programs and initiatives are wide-ranging and that comprehensive monitoring and accountability may improve their effectiveness. The Bureau currently uses several mechanisms both to track individual initiatives and to monitor progress across the Bureau's many programs and offices. These include detailed tracking sheets developed for specific groups of recommendations, such as those that emerged from the 2014

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overall and smaller across-group differences than the GAO survey item. See GAO Draft Report at 18-19; Consumer Fin. Prot. Bureau, *2015 CFPB Annual Employee Survey: Bureau-wide survey report* 11-19, 71-83 (Oct. 2015) (Table 4 and Appendix E) [hereinafter "2015 AES Results"].

<sup>13</sup> 2015 AES results showed significantly lower unfavorability rates for specific groups than did GAO's survey. For example, GAO reported that 35% of responses from Asian participants and 27% of those from black participants were unfavorable, whereas the 2015 AES survey included 17.4% and 20% unfavorable responses, respectively.

<sup>14</sup> GAO's survey did not ask directly analogous questions, but the GAO report does discuss responses to the following question: "Employees in my office generally feel comfortable that they can raise concerns or disagree with superiors without worrying about negative consequences." Although GAO reported that 27% of respondents disagreed, the 2015 AES suggests much lower levels of concern among employees. Specifically, only 14.6% of employees responded unfavorably to the similar AES question, and the highest disagreement rate for any demographic group was 18.2%. Similarly, agreement rates were substantially higher on the AES question than on the GAO question (74.1% vs. 56.2%). See GAO Draft Report at 25; 2015 AES Results at 18.

OMWI listening sessions; user evaluations of training programs and ADR sessions; prioritization discussions through the Workforce of the Future initiative; and Quarterly Performance Reviews at which the Bureau's Director, the Director of the Office of Equal Opportunity and Fairness (which oversees both OMWI and OCR), the Deputy Director, Chief of Staff, and Chief Strategy Officer ask questions regarding division-specific diversity and inclusion goals. Key offices in these efforts—OHC, OMWI, and OCR—meet regularly and collaborate on shared goals, such as exploring workforce comparison statistics and data-reporting to ensure more consistency throughout the Bureau. We agree that consolidating and augmenting existing monitoring efforts will provide a fuller picture of progress and opportunities for efficiency and further innovation.

2. *In coordination with representatives of CFPB's employee union, develop tools to collect more comprehensive employee feedback on the grievance complaint processes to understand and remedy factors that may reduce employee confidence in these processes.*

As GAO notes in its report, "CFPB has taken steps to improve its management of employee complaint processes, such as offering new training to managers and addressing problems with its tracking of complaints."<sup>15</sup> GAO also commends work by OCR to develop a more complete operations manual and standard operating procedures, add staff support and expertise, improve the tracking of complaints, ensure data reliability, and model best practices in its encouragement of alternative dispute resolution.<sup>16</sup>

The report notes that a small number of Bureau employees who participated in the GAO survey both responded that they had experience with one or more of the Bureau's complaint processes and answered follow-up questions about those processes.<sup>17</sup> GAO's report observes that large proportions of this small group expressed negative views about certain aspects of these processes.<sup>18</sup> In some cases, misunderstandings appear to contribute to these negative views. For example, about half of the GAO survey respondents who reported experience with the EEO process disagreed that the Bureau's OCR is independent of the Legal Division, although OCR in fact operates independently and employs its own attorneys to conduct legal reviews and research, including defining claims, determining jurisdictional scope, and issuing decisions on whether or not illegal conduct occurred.<sup>19</sup>

<sup>15</sup> GAO Draft Report at 43.

<sup>16</sup> *Id.* at 44-45.

<sup>17</sup> The relevant number of respondents was about 45 for EEO complaints and about 80 for grievances. Assuming no overlap between these groups, the total accounts for less than 1% of the current Bureau employee population. For EEO complaints, this number is less than half of the total number of individuals who have gone through the EEO counseling process, which includes applicants, contractors, and former employees in addition to current employees.

<sup>18</sup> GAO Draft Report at 22-23.

<sup>19</sup> This arrangement follows guidance in the EEOC Management Directive 110, Ch. 1, § IV(D) ("The optimal situation is for the EEO office to have sufficient internal legal resources.")

Frustrations with the federal sector-complaint process are long-standing as GAO itself has noted in Congressional testimony.<sup>20</sup> Although the small sample size makes it difficult to assess how widespread these perceptions are,<sup>21</sup> the Bureau agrees with GAO and the EEOC that “agencies should try to address perceptions, such as beliefs that their complaints will not be treated appropriately or fairly.”<sup>22</sup> To that end, OCR has included training on its independence and neutrality in Bureau-wide new employee training and in other training modules, including a module presented to the Bureau’s union members in March 2016. OCR also has drafted FAQs that are readily available to all employees on the Bureau’s intranet to explain OCR’s role and the EEO process generally for those who take advantage of it.

The Bureau is confident that its OCR and OHC provide appropriate and objective processes to handle employee complaints. Indeed, the Bureau’s Office of the Inspector General, in its most recent review of the Bureau’s personnel practices, found that the Bureau’s EEO and grievance processes “give employees the opportunity to have their complaints heard, investigated, and redressed in a fair and equitable manner,”<sup>23</sup> and we are pleased that GAO’s review identified no substantive concerns with their administration.

Maintaining this success requires continued commitment to improvement. Thus, the Bureau agrees with GAO that gathering feedback on its complaint processes could help detect and correct employee misunderstandings and identify opportunities for process enhancements. The Bureau appreciates GAO’s praise for OCR’s ongoing efforts to develop feedback tools in the EEO space. The Bureau continues to refine its approach and will consider how best to expand this effort to the two different grievance processes. With respect to negotiated grievances, the Bureau will work with NTEU to develop feedback mechanisms that provide the Bureau and the union with useful information while respecting the distinct role each plays in that complaint resolution process.

<sup>20</sup> U.S. Gov’t Accountability Off., GAO-00-104, *Equal Employment Opportunity: Discrimination Complaint Caseloads and Underlying Causes Require EEOC’s Sustained Attention* 1 (March 29, 2000) (“In recent years, the complaint process and EEOC’s role in eliminating discrimination in the federal workplace have been targets of criticism because of the rising number of complaints, growing backlogs of unresolved cases, and the increasing amount of time it has been taking to bring cases to a close.”), available at <http://www.gao.gov/assets/110/108352.pdf>.

<sup>21</sup> Perceptions of complaint processes are also difficult to assess. In the EEO space, the Bureau must follow the process established by applicable regulations, and concerns about the efficacy of this process are not unique to the Bureau. See, e.g., EEOC Management Directive 110, Ch. 1, § IV (“Some may view the agency’s investigative process as inherently biased because the agency accused of discrimination is the same agency that is charged with administering the EEO investigative process.”) Indeed, EEOC has issued an advance notice of proposed rulemaking to explore opportunities to reform the federal sector complaint system and to enhance its efficiency and user-friendliness, see 80 Fed. Reg. 6669 (Feb. 6, 2015), and the OCR Director and Deputy Director have contributed feedback to EEOC officials on federal-sector reform. Similarly, the Bureau must handle grievances in accordance with procedures negotiated with NTEU. It can be difficult to untangle negative perceptions about the processes themselves from negative perceptions about the Bureau’s participation in them, and complainant misperceptions about these processes present further complications.

<sup>22</sup> GAO Draft Report at 46.

<sup>23</sup> Office of Inspector General, *The CFPB Can Enhance Its Diversity and Inclusion Efforts* 40 (March 4, 2015), available at <https://oig.federalreserve.gov/reports/cfpb-diversity-inclusion-mar2015.pdf>.

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**Appendix II: Comments from the Consumer  
Financial Protection Bureau**

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Once again, we wish to express our gratitude for the breadth and depth of GAO's engagement with these issues. We welcome this exacting oversight because we know it improves our efficiency, effectiveness, and work environment and our ability to carry out our critical consumer protection mission.

Sincerely,



Richard Cordray  
Director

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# Appendix III: GAO Contact and Staff Acknowledgments

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## GAO Contact

Daniel Garcia-Diaz, (202) 512-8678, [GarciaDiazD@gao.gov](mailto:GarciaDiazD@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, Kay Kuhlman (Assistant Director), John Fisher (Analyst in Charge), Carl Barden, Bethany Benitez, Lisa Brown, Heather Chartier, Rudy Chatlos, Thomas C. Corless, Kate Bittinger Eikel, Cathy Hurley, Andrew Kurtzman, Jill Lacey, Ying Long, Carl Ramirez, Jennifer Schwartz, and Chad Smith made key contributions to this report.

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