



BOARD ACTION MEMORANDUM

TO: The NCUA Board **DATE:** Sept. 22, 2021
FROM: Chief Financial Officer **SUBJ:** 2021 Midsession Budget Revisions

ACTION REQUESTED: NCUA Board approval to reprogram budgeted funds and add seven full-time positions.

DATE ACTION REQUESTED: September 23, 2021

OTHER OFFICES CONSULTED: All Offices and Regions

BUDGET IMPACT, IF ANY: \$2,436,466

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes

RESPONSIBLE STAFF MEMBERS: Chief Financial Officer Eugene H. Schied

SUMMARY:

The Board-approved Operating Budget for 2021 is \$314.6 million. Based on projected spending for the remainder of the year, staff estimates that operating obligations will be approximately \$15.0 million lower than the approved Operating Budget. Reprogramming a portion of this projected surplus would provide funding for new requirements related to cybersecurity, employee relocations, human capital support, and executive briefings and analysis support. If the Board approves the proposed reprogrammings of \$2.4 million, in addition to an already approved estimated \$1.6 million payout for employees' accrued leave, the residual 2021 Operating Budget surplus will be approximately \$11.0 million. Seven new full-time positions related to the NCUA's cybersecurity programs, the Board Secretary, and the Office of Ethics Counsel are also proposed for Board consideration.

For 2021 the Board also approved using up to \$20.5 million from budget balances unspent at the end of 2020. Of that amount, staff estimates that approximately \$13.7 million may not be required for the uses approved by the Board before the end of 2022. However, this projected surplus may decrease if additional rehired annuitants are brought on board or additional contractor support is required for the NCUA to address emergent issues.

In summary, approximately \$28.6 million in excess budget is currently projected for 2021, absent any reprogramming actions taken by the Board. The recommended reprogrammings would cost the NCUA an estimated \$2.4 million in 2021, while employee leave payouts will cost approximately \$1.6 million. Therefore, the residual budget balance for 2021 is currently projected to be approximately \$24.6 million and can be used to offset future budget needs.

BACKGROUND:

Based on year-to-date spending and a review of historic spending trends, the 2021 Operating Budget is projected to end the year with a surplus of approximately \$15.0 million. Nearly two-

thirds, or \$9.9 million, of the projected surplus is due to significantly lower employee travel in 2021 because of pandemic-related restrictions. Of the remaining amounts, approximately \$2.8 million of the projected surplus results from lower estimated employee compensation due to vacancies, and approximately \$2.3 million of the projected surplus results from lower estimated spending in non-compensation budget categories, based on a review of historic spending trends.

Within the Operating Budget, \$2.4 million, or 16 percent of the projected surplus, is proposed to be reprogrammed to address the following requirements:

- **Cybersecurity Support:** an additional \$906,780 is required to implement cybersecurity requirements for the NCUA's systems, services, and information holdings. Within this total, \$560,780 is recommended to provide new and additional support for the NCUA's security operations such as implementation of Federal information security mandates; support for information security governance, risk, and compliance programs; software patch management; and security support for specific NCUA applications. Another \$200,000 is recommended for an independent, third-party cybersecurity review of the Examination and Supervision Solution and Infrastructure Hosting (ESS&IH) program, which will provide additional security assurance to the NCUA as the Agency initiates roll-out of MERIT and its supporting applications to the entire agency and the credit union industry. The remaining \$146,000 is recommended to acquire expert-level support for NCUA's information technology and assurance staff in order to accelerate the adoption and usage of secure cloud technology and optimize investments already-made in M365 to replace duplicate capabilities, where possible.
- **Employee Relocations:** an additional \$939,686 is required for expected employee relocation costs in 2021. The approved 2021 budget for employee relocations is \$750,000; however, the number of expected employee relocations has increased compared to the 2020 level upon which the budget was based. To date, \$678,686 has been obligated for 4 employee relocation authorizations, leaving only \$71,314 in budget available for the remainder of 2021. An additional 7 employees have relocations in process, which are estimated to cost \$611,000. The estimated shortfall for these pending relocations is \$539,686. In addition to the known employees who are in the relocation pipeline, an additional 12 current hiring actions mention that relocation is authorized for employees relocating to a different duty station. This creates the likelihood of additional relocation expenses later this year. An additional amount of up to \$400,000 is requested for 2021 to facilitate additional possible relocations in a timely manner. Based on historical averages, this added funding would cover about 4 additional relocations if they occur in 2021.
- **Human Capital Analytical Support:** an additional \$550,000 is required for two important human capital analytic efforts. Of the total required, \$300,000 will support analysis of the NCUA's compensation plans, which will help the agency determine equitable compensation adjustments for future years and as it engages in negotiations with its employee union. The remaining \$250,000 will support analytic and consultative work about the NCUA's diversity, equity, and inclusion programs and practices.

- Executive Briefings and Analysis: an additional \$40,000 is required for new executive briefings and analysis support, which will provide daily, comprehensive, reports that summarize information relevant to the NCUA on the economy and financial services industry.

In addition to the proposed use of a portion of the projected 2021 budget surplus, three new full-time cybersecurity positions, one full-time position for the Board Secretary, and three full-time positions for the Office of Ethics Counsel are proposed for Board consideration:

- Cybersecurity Adviser and Coordinator (SSP-1): Located within the Office of the Executive Director, a new Cybersecurity Adviser and Coordinator position will be responsible for organizing, coordinating, and advising on cybersecurity and critical infrastructure matters across all NCUA offices. This also includes helping coordinate and provide oversight for agency councils, working groups, special projects, security assessments, and incident responses related to cybersecurity and critical infrastructure. Along with other agency personnel and groups, the position will provide expert advice to the Board, Executive Director, and other senior agency leaders on internal and external cybersecurity matters, such as risks to insured credit unions and to the agency. With respect to cybersecurity and critical infrastructure matters, the position will enhance the NCUA's contributions to and partnerships with other federal banking agencies, conduct stakeholder outreach and engagement, support NCUA staff training and development programs, help enhance the information and guidance provided to credit unions and other stakeholders, and assist in organizing special events and activities.
- Cybersecurity Operations (CU-13/14): Located within the Office of the Chief Information Officer (OCIO), one additional Cybersecurity Operations position will be responsible for operational and technical aspects of the agency's cybersecurity program. The position's duties will include activities such as collecting, processing and analyzing computer-related evidence; investigating activities by gathering real-time information and reporting cybersecurity threats; recommending remediation of threats across the federal cybersecurity framework; presenting and recommending guidelines, measures, protocols, and procedures to key stakeholders; developing and conducting tests of systems to evaluate compliance with specifications and cybersecurity requirements; and, responding to crisis or urgent situations to mitigate immediate and potential threats.
- Service Delivery Manager (CU-12/13/14): Located within the Office of the Chief Information Officer, a new Service Delivery Manager will be responsible for implementing cybersecurity tools and practices in accordance with government-wide policy and standards. The position's duties will include managing the delivery and optimization of the tools, processes, and services that provide visibility into emerging and persistent threats arising from both external actors and internal security control failure(s) that impact enterprise IT services delivery.
- Deputy to the Board Secretary (CU-14-15): The Board Secretary function needs an additional position to support the volume and sensitivity of work. The volume of work exceeds the capacity of the two positions currently assigned to this function, and there are limits on the type of work that can be delegated. An additional position also provides for

back-up and succession needs for this critical agency function. This position will aid the Board Secretary in organizing and conducting Board meetings, posting results, and administering and coordinating Supervisory Review Committee and Board appeals. This position will assist the Board Secretary with procurement, including transcription management and electronic document management services, review of Board records (minutes, minute summaries, scripts, etc.), and management of agency documents, including ensuring the proper storage and required retention of records. The position will also assist with answering Board questions and providing information to the Board and leadership. The position will also support the Board Secretary with all of the duties associated with serving as the Central Liquidity Facility Secretary. The position will be able to perform the duties of the Board Secretary in the Board Secretary's absence.

- Ethics Attorney (CU-15): Located within the Office of Ethics Counsel, an additional Ethics Attorney will be support the NCUA's annual employee financial disclosure process, conduct conflicts of interest analysis, draft recusals and notices to divest, manage certificates of divestiture requests, and train NCUA staff on conflicts of interest laws and recusal requirements. This attorney will also provide ethics advice to NCUA staff and advise on agency outreach to stakeholders and co-sponsorships.
- Ethics Specialist (CU-14): Located within the Office of Ethics Counsel, an additional Ethics Specialist will help maintain full functionality of NCUA's electronic financial disclosure systems and manage their administration. This specialist will also assist attorneys with training development for NCUA staff, conduct financial disclosure training for NCUA staff, and support the agency's anti-harassment program and systems to meet the record keeping, data analysis, and reporting and reporting requirements for that program.
- Office of Ethics Counsel Staff Assistant (CU-9): Located within the Office of Ethics Counsel, a new Staff Assistant will carry out all administrative functions for the office's staff and support its day-to-day operations.

Costs for the new cybersecurity and Board Secretary positions in 2021 will be minimal because the employees would be hired late in the year. For the Office of Ethics Counsel, the Ethics Attorney position has been filled, the Staff Assistant position is pending selection, and recruiting is underway for the Ethics Specialist position. Therefore, 2021 costs can be absorbed within the employee Pay and Benefits budget already approved by the Board for 2021. In 2022, approximately \$1,900,000 in full-year compensation costs will need to be included in the budget.

RECOMMENDED ACTION:

It is recommended that the NCUA Board approve:

1. Reprogramming \$906,780 from the projected 2021 Travel surplus to the Contract Services budget to pay for additional cybersecurity support;
2. Reprogramming \$939,686 from the projected 2021 Travel surplus to the Administrative Expenses budget to pay for anticipated employee relocations;
3. Reprogramming \$550,000 from the projected 2021 Travel surplus to the Contracted Services budget to pay for additional human capital analytical support;
4. Reprogramming \$40,000 from the projected 2021 Travel surplus to the Contracted

- Services budget to pay for executive briefings and analysis support; and,
5. Seven additional full-time positions: two for the Office of the Chief Information Officer to provide additional cybersecurity expertise and capabilities, one for the Office of the Executive Director to coordinate cybersecurity activities and programs internal and external to the NCUA, one for the Board Secretary to ensure efficient NCUA Board operations, and three for the Office of Ethics Counsel to improve the NCUA's compliance programs for ethics laws and standards.