



# Annual Performance Plan 2014

May 2014

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM





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May 2014

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# Preface

On June 26, 2012, the Board of Governors (Board) approved the *Strategic Framework 2012–15*, which identified and framed critical organizational challenges facing the Board. The *Annual Performance Plan 2014* sets forth the planned projects, initiatives, and activities that will contribute to the strategic framework’s long-term objectives. The *performance plan* provides a more detailed understanding of the planning, budgeting, operations, and performance of the Board.

Both the *Strategic Framework* and the *Annual Performance Plan* are issued in the spirit of the Government Performance and Results Act (GPRA) of 1993, which requires that federal agencies, in consultation with the Congress and outside stakeholders, prepare a strategic plan covering a multiyear period and submit an annual performance plan and annual performance report. The GPRA Modernization Act of 2010 refines those requirements to include quarterly performance reporting. Although the Board is not

covered by GPRA, the Board voluntarily complies with the spirit of the act and, like other federal agencies, prepares a strategic plan as well as annual plans and reports.

As required by the Federal Reserve Act, the Board annually submits to the Congress a report describing in detail operations of the Federal Reserve System (FRS) for the previous year. Since 1985, the FRS has also provided the Congress with a supplement, the *Annual Report: Budget Review* (ARBR), which provided a detailed explanation of the plans and resources discussed in the approved budgets of the Board and the 12 Federal Reserve Banks. The Board separately published its *Annual Report* and ARBR in past years. Commencing with the 2013 reporting year, the Board is including the ARBR in its *Annual Report*.

Each of these reports is available on the Board’s website at [www.federalreserve.gov/publications](http://www.federalreserve.gov/publications).



# Introduction

The Board's longstanding mission is to foster the stability, integrity, and efficiency of the nation's monetary, financial, and payment systems in pursuit of optimal macroeconomic performance. The Board's mission is rooted in the Federal Reserve System's statutory mandates and on a set of core institutional values:

- **Public interest.** In its actions and policies, the Board seeks to promote the public interest; the Board is accountable and responsive to the general public, the U.S. government, and the financial community.
- **Integrity.** The Board adheres to the highest standards of integrity in its dealings with the public, the financial community, and its employees.
- **Excellence.** The conduct of monetary policy, responsibility for bank supervision, and maintenance of payment system demand high-quality analysis, high performance standards, and a secure, robust infrastructure. The pursuit of excellence drives the Board's policies concerning recruitment, selection, and retention of Board employees.
- **Efficiency and effectiveness.** In carrying out its functions, the Board is continually aware that its operations are supported primarily by public funds, and it recognizes its obligation to manage resources efficiently and effectively.
- **Independence of views.** The Board values the diversity of its employees, input from a variety of sources, and the independent professional judgment that is fostered by the System's regional structure. It relies on strong teamwork and consensus-building to mold independent viewpoints into coherent, effective policies.

## Role of Strategic Planning

The Board considers strategic planning a critical factor for ensuring the long-term effectiveness and efficiency of operations. The Board's *Strategic Framework 2012—15*, available at [www.federalreserve.gov/publications/gpra/files/2012-2015-strategic-framework.pdf](http://www.federalreserve.gov/publications/gpra/files/2012-2015-strategic-framework.pdf), is used to guide key investments, align resources, and implement changes over this four-year planning period. The framework is organized into six themes:

publications/gpra/files/2012-2015-strategic-framework.pdf, is used to guide key investments, align resources, and implement changes over this four-year planning period. The framework is organized into six themes:

- Continue building a robust inter-disciplinary infrastructure for regulation, supervision, and monitoring risks to financial stability.
- Redesign data governance and management processes to enhance the Board's data environment.
- Establish a modern, safe work environment that emphasizes the need to maintain data quality and integrity and the importance of enhanced collaboration within the organization and with the public.
- Create a work environment built on market-oriented compensation and support for professional and personal achievement that allows the Board to attract and retain top talent, while reinforcing collegiality.
- Strengthen management processes to enable effective implementation of strategic themes, increase operating efficiencies, and reduce administrative burden.
- Establish a cost-reduction approach and a budgetary-growth target that maintains an effective and efficient use of financial resources.

The Board's senior leadership will reassess priorities throughout the strategic framework's implementation period to take into account environmental factors and changing circumstances. These factors impact the specific activities undertaken in any given year to achieve strategic objectives.

The *Annual Performance Plan 2014* presents the planned projects, initiatives, and activities that support the strategic framework's long-term objectives. Board staff will report quarterly the progress toward achieving the following strategic objectives to Board members and executives internally. In early 2015, the Board will publish and release to the public (1) a

report on the Board's performance toward achieving what it set out to do during 2014 and (2) a performance plan for 2015.

# Strategic Theme 1: Supervision, Regulation, and Financial Stability

*Continue building a robust inter-disciplinary infrastructure for regulation, supervision, and monitoring risks to financial stability.*

## Objective 1.1: Strengthen the stability of the financial sector through the development of policies, tools, and standards.

Under the direction of the Board, Board staff will continue contributing to regulatory reform activities that enhance the resilience of the financial sector and coordinate with other federal supervisory agencies regarding related regulatory efforts. Staff will also develop and implement a wide array of policies and guidance to supervisory programs that address legislative mandates and changes in economic environments. In addition, staff will collaborate with financial stability groups to incorporate a multidisciplinary approach to emerging financial stability risks. These efforts will include steps to develop and implement macroprudential policies that will limit the probability of, and adverse consequences from, financial crisis. Finally, under the direction of the Board and Federal Open Market Committee (FOMC), staff will engage in designing potential crisis-management tools to respond as appropriate to various contingencies that could threaten financial stability. As part of ongoing activities, staff will monitor and analyze the effect of such regulations, policies, and tools on financial institutions, financial markets, and more generally on the macroeconomy.

### Projects and Initiatives

- Develop additional policies and tools to strengthen financial stability and develop work programs that support these initiatives.
- Support the Chair, as a member of the Financial Stability Oversight Council, in identifying and monitoring threats to financial stability, and to propose actions to mitigate them.

- Develop and implement new policy proposals and amend supervisory programs as needed to address legislative mandates and changes in the economic and international environments.

—Finalize and implement major rulemakings and guidance, including enhanced prudential standards, capital surcharges, liquidity regulation, long-term debt requirements, organizational changes, incentive compensation, and Consumer Financial Protection Bureau coordination.

—Develop and implement a Systemwide program for resolution and recovery planning.

- Collaborate with groups inside and outside the System that are engaged in financial stability assessments to identify macroprudential and emerging risks and to determine actions to be taken in response; communicate the identified risks and the associated responses to key stakeholders.

—Continue to look for ways to incorporate a multidisciplinary view to identify macroprudential and emerging risks, incorporating information generated by other parts of the Federal Reserve System (FRS) and other agencies engaged in financial stability assessment.

## Objective 1.2: Monitor financial markets and industry practices and structures.

Staff will develop analytical tools and conduct monitoring activities that enhance the Board's understanding of evolving market structures and practices, including changes in global financial intermediation and capital allocation, risks and risk-management practices, and regulatory and other incentives for financial institutions to appropriately manage risk exposures. Ongoing communications will inform the staff about financial market developments that bear on financial stability and U.S. monetary policy. Staff will engage in ongoing communications with the

Board and the FOMC about financial market developments that bear on financial stability and U.S. monetary policy.

### Projects and Initiatives

- Develop and implement a forward-looking and proactive approach to the identification and mitigation of risk with potential systemic implications within and across supervisory portfolios.
  - Issue and implement an advisory letter to better coordinate System risk efforts and resources.
  - Produce forward-looking risk reports better utilizing new and existing data sources and metrics.
  - Develop and implement an approach to capture and incorporate a broad array of internal and external sources into the risk-assessment framework. Sources should include consumers and other external groups to evaluate banking products and strategies that could pose risks to the banking system.
  - Expand data available for systemic risk analysis, including developing protocols to access over-the-counter derivatives data maintained in trade repositories located in the United States and abroad and encouraging the collection of new data on securities financing trades.
  - Develop systemic risk-monitoring tools and conduct analysis of Financial Market Utilities (FMU).
- Develop analytical tools, conduct monitoring activities, and use horizontal reviews of multiple financial institutions to enhance the Board’s understanding of evolving market structures and practices and incorporate the results into the policy and supervisory process.
- Continue to provide analysis to the Board and the FOMC about financial market developments that bear on financial stability and U.S. monetary policy.
  - Continue to enhance quantitative surveillance (QS) financial stability assessments.

### Objective 1.3: Monitor and supervise individual institutions and infrastructures.

Staff will continue ongoing monitoring of individual institutions and infrastructures, particularly those

that have broader consequences for the financial system and the macroeconomy. Board staff will continue implementing forward-looking risk-identification aspects to supervisory programs across all portfolios. Board staff will seek comment on a number of proposed rules and revisions covering various financial entities and sectors as outlined in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act).

### Projects and Initiatives

- Implement forward-looking aspects to supervisory programs focused on banks and bank holding companies to incorporate data analytics and a fully integrated process to respond to risks at the institution-level and at the portfolio and industry level; clarify and communicate expectations for reliance on other supervisors.
  - Develop and implement frameworks for new supervisory programs, including nonbank systemically important financial institutions (SIFIs), foreign banking organizations, and consumer compliance risk-focused supervision.
  - Develop supervisory approaches for community banking organizations, regional banking organizations, and savings and loan holding companies that identify and support supervisory action informed by early warning indicators of financial institution risk outliers.
  - Implement supervisory letters and develop programs to tailor capital and liquidity planning and expectations.
- Implement a supervisory data and technology strategy in collaboration and consistent with the framework established under strategic theme 2 of this document.
- Seek comment on rules and revisions covering various financial entities and sectors as outlined in the Dodd-Frank Act.
- Execute effectively the Federal Reserve’s supervisory programs for FMUs.
  - Finalize revisions to the risk-management standards in Regulation HH for designated financial market utilities (FMU) subject to the Board’s supervision and companion revisions to the Board’s policy on payment system risk.
  - Enhance quantitative oversight of FMUs, particularly with respect to the margining of new,

more complex clearable instruments, stress-testing practices, and liquidity arrangements.

- Continue to actively coordinate with other federal supervisory agencies regarding their supervisory efforts related to FMUs; in particular, foster improvements to central counterparty risk policies and promote consistent regulations.
- Coordinate effectively on regulatory and supervisory matters that cut across the institutional and infrastructure portfolios within the Federal Reserve.
- Support the Chair as a member of the Financial Stability Oversight Committee with respect to monitoring systemic risk, coordinating interagency dialogue, and issues related to SIFIs and designated FMUs.

### Objective 1.4: Ensure that sufficient crisis-management tools are in place.

Board staff will use a broad research agenda to assess the macroeconomic and financial market effectiveness of crisis-management tools, such as the discount window, and work to build the capacity to assess quickly the nature of financial stresses that might threaten financial stability in a crisis.

#### Projects and Initiatives

- Continue to improve the effectiveness of the discount window as a crisis-management tool.
- Contribute to domestic and international efforts to improve the quality of financial data that can better inform crisis-management decisions.

### Objective 1.5: Analyze for the Board and FOMC the role that financial stability policy should play in the setting of monetary policy.

Under the direction of the Board, staff will continue to assess the effectiveness of various macroprudential policies and their interactions with monetary policy. Staff will contribute to supervisory exercises to increase the resilience of financial institutions through financial stability assessments from the QS

process. Staff will monitor risks to financial stability, analyze linkages between the financial and real sectors, and evaluate alternative policies to contain building systemic risks. Staff will continue briefing the Chair, other Board members, and the FOMC, as appropriate.

#### Projects and Initiatives

- Assess the effectiveness of macroprudential policies and their interaction with monetary policy.
- Monitor risks to financial stability, analyze linkages between the financial and real sectors, and evaluate alternative policy options to potentially address building systemic risks.

### Objective 1.6: Pursue research on stress tests, macroprudential regulation and tools, and other financial stability topics.

Staff will continue to undertake research to assess the economic effects of proposed macroprudential policies on financial institutions in the United States and abroad throughout the year, including in response to changes to the structure of internationally active institutions and changes in the regulatory environment.

#### Projects and Initiatives

- Contribute to basic research on financial stability and macroprudential tools through publication of working papers, academic journal articles, other publications, and participation in professional conferences.
- Promote research on related topics through Federal Reserve System efforts, including long-term research projects integrated with the QS process.
- Integrate, as appropriate, research results into ongoing policy discussions at the Board through briefings and participation in associated work streams.
- Continue work identifying and analyzing cross-border linkages among financial institutions and financial sectors, particularly with respect to their implications for financial stability.



## Strategic Theme 2: Data Governance

*Redesign data governance and management processes to enhance the Board's data environment.*

### Objective 2.1: Improve data governance by establishing a new Office of the Chief Data Officer (OCDO) and ensuring clear roles and responsibilities among the chief data officer, the Board Data Council (BDC), and data users.

The OCDO must strengthen and improve the building blocks of the Board's data governance and management operations to support the Board's scale and capacity needs. Because of the numerous programs that will be undertaken by the OCDO, the office must have deliberate and professional tracking and management of these programs to ensure maximum success. Being able to track and report on both new and existing projects, while also performing the day-to-day responsibilities of the OCDO function, is key in 2014.

#### Projects and Initiatives

- Improve the OCDO foundation to strengthen and improve the building blocks of the Board's data governance and management operations to support the Board's scale and capacity needs.
  - Implement a staffing plan, policies and processes, technology plan, budgeting process, and internal management program.
  - Modernize OCDO service areas through automation of the clearance process and the development of a strategy for re-architecture of information management services.
  - Create OCDO engagement model to support division and system data governance and data management efforts.

- Operate the BDC.
  - Develop, approve, and implement a 2014 roadmap.
- Execute a program management office that will develop and implement a program that allows the OCDO to track and manage programs within the OCDO.
  - Implement a change-management and communications program utilizing feedback from stakeholder analysis, building senior leadership support and execution of a robust communications strategy and plan.
  - Implement a project management program by implementing a robust project management methodology.
  - Develop and implement a scalable training program that identifies knowledge gaps and training needs.

### Objective 2.2: Ensure that all enterprise data are handled, processed, stored, and disseminated by professional data management groups.

Data governance is a core part of the OCDO's mission. Data governance supplies the discipline to deal with both the predictable and the unpredictable nature of new data acquisition and data distribution across the organization. In 2014, the OCDO will work with the BDC to ensure data governance policies, processes, and standards are developed; a roadmap of high-priority activities is approved; and an engagement model with other System data governance activities is executed.

## Projects and Initiatives

- Develop a data governance program that facilitates and coordinates the strategic enterprise data governance activities for the Board.
  - Implement a data stewardship program including a Boardwide strategy and plan.
  - Improve training and education of Board staff on data management principles and best practices.
  - Develop the data governance program, implement a data governance tool, and facilitate work between the Board and System governance groups

### Objective 2.3: Strengthen the Board's data environment by establishing an infrastructure to share data and improve opportunities for data integration that supports the Board's research and analytical capabilities.

The data maintained within the Board and across the System are critical to the Board's vision for improved data optimization. Knowledge around the existence of data and an understanding of the relationship of that data to the mission functions, services, and pro-

cesses are key to that vision. Policies and processes need to be developed and implemented to capture and provide a comprehensive catalog of Board data assets. The development of an information architecture program is necessary to provide stakeholders the ability to integrate and optimize data across the organization around the integration control and access of data assets.

## Projects and Initiatives

- Discover data assets and architecture to ensure data assets are captured and a comprehensive catalog of Board data assets is compiled. The OCDO team will develop the processes and policies for a clearly defined program that allows for the leveraging of architecture content across business and technology groups invested in Board-owned enterprise data.
  - Implement data inventory program, metadata repository, and enterprise data inventory tool.
  - Define and implement information architecture program, create metadata taxonomy, and develop information architecture content.
  - Measure and analyze data usage by developing a strategy and tool that describes and measures data usage for types.
  - Improve data dissemination through the creation of a Boardwide data strategy.

# Strategic Theme 3: Facilities Infrastructure

*Establish a modern, safe work environment that emphasizes the need to maintain data quality and integrity and the importance of enhanced collaboration within the organization and with the public.*

## Data Center Relocation

### Objective 3.1: Create capacity for increased data demand.

The projects associated with this objective are related to the installation of the equipment necessary to run the data center and the migration of existing data held in the current Data Center. These projects cannot begin until the design and construction of the new facility is completed.

#### Projects and Initiatives

- Manage design and construction activities associated with the new facility.
- Acquire and install equipment necessary to run the relocated Data Center.
- Coordinate the migration of existing data residing in the current Data Center.

### Objective 3.2: Address critical Data Center subsystem requirements.

Information Technology and Management Division staff will work to identify, obtain, and put in place critical Data Center subsystems.

#### Projects and Initiatives

- Work with Board and Federal Reserve Bank of Richmond staff to identify critical subsystems.
- Monitor design and implementation of critical subsystems.

## Martin Building Renovation

### Objective 3.3: Create a safe and secure work environment.

Law enforcement staff continues to ensure that employees and visitors are adequately screened and safe while occupying a Board building. A threat assessment of the Board is being conducted and will be complete by mid-2014. Protective measures and continuity of operations plans will be updated, where appropriate. Staff will also allocate time and resources to selecting an appropriate security system for new lease space.

#### Projects and Initiatives

- Conduct a current threat assessment for the Board.
- Analyze and update the Board and division continuity of operation plans.
- Select a security system for the new leased space.

### Objective 3.4: Upgrade physical infrastructure.

Staff identified swing space, and negotiations for office space were completed in 2013. Negotiations for lower-level and below-grade space should be completed in 2014. Design work for office area space should also be completed in 2014, with construction starting late spring 2014. Design work for the Martin Building renovation will commence once requirements documentation is completed.

#### Projects and Initiatives

- Manage the Martin Building renovation design and initiate construction procurement process.
- Manage 1801 K Street leasehold improvement construction.

- Complete New York Avenue renovation.
- Manage Eccles infrastructure enhancements and upgrades.

### Objective 3.5: Reduce utility consumption and expenses.

Comprehensive energy audits of Board-owned buildings commenced in 2012. Ongoing audits will ensure

that existing Board facilities are operating in the same efficient manner as the Martin Building once renovations are completed.

#### Projects and Initiatives

- Review and report on energy consumption at Board-owned buildings.
- Implement enhancements to save energy based on utility consumption versus benchmark data.

# Strategic Theme 4: Maximizing the Value of Human Capital

*Create a work environment built on market-oriented compensation, a performance- and talent-focused culture, as well as support for academic and personal achievement that allows the Board to attract and retain top diverse talent, while fostering a culture of inclusion and maximizing performance.*

## Objective 4.1: Increase efficiency and effectiveness of the existing performance management process (PMP).

Human Resources (HR) staff, working with the HR Task Force, will reengineer the existing PMP to make the process more performance and accountability focused and explore automated tools to assist with writing performance evaluations.

### Projects and Initiatives

- Continue reengineering effort of the existing PMP.
- Explore automated tools to assist with the new PMP.
- Complete the pilot program currently ongoing in six divisions and roll out the new PMP to the remainder of the Board.
- Review and revise administrative policies to align with and support the new PMP.
- Train people managers in better techniques for performance management.

## Objective 4.2: Reduce administrative burden associated with the adverse-action process while respecting employees' due process rights.

HR will work with Legal Division staff to update the Board's adverse action policy. A work group will identify inefficiencies and make policy revisions to reduce the administrative burden and ensure fairness in the adverse action process.

### Projects and Initiatives

- Finalize and seek approval for revisions to the Board's adverse action policy.
- Finalize communication and posting of policy.

## Objective 4.3: Enhance the talent management processes.

HR staff, working with leaders across the Board, will establish a systematic process to identify critical officer and manager positions and develop an effective succession planning process. Work will include assessing the readiness of each division to engage in the process and meeting with appropriate stakeholders. In addition to succession planning, HR staff will also work on personnel development programs and enhancements to current training offerings.

### Projects and Initiatives

- Develop a long-term succession plan to address the impact of the upcoming retirement wave and implement portions of the plan as appropriate Boardwide.
- Continue implementation of the strategic HR recommendations to ensure the competencies identified and used during the recruitment process are in direct alignment with the Board's strategic needs, thereby creating a more flexible workforce.
- Develop enhanced cross-training and career development opportunities and strengthen management and leadership development programs Boardwide.

### Objective 4.4: Increase equitability in compensation and benefits in closer alignment with the Federal Reserve System and market.

HR staff will review the Board's compensation program and work-life offerings and recommend

changes to enhance the attractiveness of the Board as an employer.

### Projects and Initiatives

- Continue to review compensation and benefits offerings and implement changes to enhance attraction, retention, and development of Board talent.
- Continue to review, enhance, and develop employee life programs to help employees achieve balance in their professional and personal lives.

# Strategic Theme 5: Management Processes

*Strengthen management processes to enable effective implementation of strategic themes, increase operating efficiencies, and reduce administrative burden.*

## Objective 5.1: Focus on enterprise issues.

Staff will focus on enhancing operational processes that support effective implementation of the Board's objectives, increase operating efficiencies, and reduce administrative burden.

### Projects and Initiatives

- Begin planning for the 2016–18 period by conducting facilitated discussions with governors and division directors to identify broad strategic goals. Engage stakeholder groups to refine objectives and initiatives for inclusion in the revised strategic plan.
- Revise existing strategic performance and financial management reports to provide a more uniform and integrated reporting structure.
- Implement fully the Investment Review Board to support effective project management for significant projects.

## Objective 5.2: Strengthen financial planning accountability.

Staff will work with key stakeholders to develop and implement changes to the planning and budget pro-

cess. Staff will also propose enhancements to financial performance reporting to focus on the Board's fiduciary responsibility as a trusted steward of public funds.

### Projects and Initiatives

- Implement a reporting framework that maps budgets and actual expenses to the Board's primary mission areas to provide greater comparability for reporting across the Federal Reserve System.
- Implement a multiyear forecasting tool and associated processes to inform guidance for developing the 2015 budget.
- Evaluate the current approach for budgeting staffing requirements and tracking personnel expenses.

## Objective 5.3: Reduce financial management administrative burden.

Staff will engage a variety of stakeholders to identify opportunities to reduce administrative burden.

### Projects and Initiatives

- Identify and implement additional automated reporting tools to assist divisions in monitoring expenses.
- Continue procurement reengineering efforts. Implement automated processes to assist divisions in developing statements of work.



# Strategic Theme 6: Cost Reduction and Budgetary Growth

*Establish a cost-reduction approach and a budgetary-growth target that maintains an effective and efficient use of financial resources.*

## Objective 6.1: Use financial resources efficiently and effectively.

Greater scrutiny of how financial resources are used will contribute to achieving budgetary-growth targets. Process changes that make the budget process more efficient will also help ensure that strategic investments remain within a sustainable budgetary range and provide the appropriate level of support for the Board to continue meeting its legislated mandates. The Board also needs the flexibility to provide an appropriate level of financial support to deliver new regulatory obligations and build capabilities to improve the way it delivers its mission for monetary policy, financial stability, and supervision.

### Projects and Initiatives

- Review current processes for allocating certain costs to division cost centers and explore allocation of other costs to central accounts. Identify changes for the 2015 budget process.

- Enhance capital expense management through additional automated controls.

## Objective 6.2: Achieve budgetary savings and expense growth in line with Board-approved targets.

Budgetary discipline is necessary to manage the unavoidable expense growth required by the strategic framework. Enhanced cost-management strategies that help offset the strategic initiatives will contribute toward maintaining expense growth in line with approved targets.

### Projects and Initiatives

- Continue implementation of cost-savings initiatives identified during development of the strategic framework.
- Re-baseline division budgets and provide recommendations to the Committee on Board Affairs for midyear adjustments in line with approved initiatives.

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