

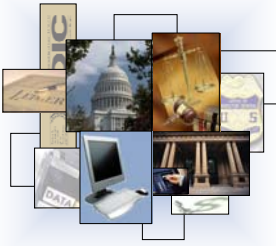


Office of Inspector General 2008 Business Plan

**The Office of Inspector General's
Strategic Plan and
FY 2008 Performance Plan**

**Also included:
FY 2008 Planned Audits and Evaluations
Planned Investigative Activities
OIG Internal Activities**

FDIC
Federal Deposit Insurance Corporation



Inspector General Foreword

December 2007

This Business Plan reflects the Office of Inspector General's (OIG) continuing efforts to clearly articulate and carry out an integrated series of quality audits, evaluations, investigations, and internal organizational activities in service to the Federal Deposit Insurance Corporation (FDIC), the Congress, the public, and other key stakeholders.

In 2006, we adopted a new business planning framework to better align our work with the Corporation's strategic goals and related activities. For 2007 and 2008, we reexamined our mission and vision, validated our strategic goals, and developed performance goals—both qualitative and quantitative—and key efforts to continue to support those agreed-upon strategic goals.



In developing our business plan for fiscal year 2008, we conducted outreach meetings with FDIC Division Directors and their staffs to help shape our thinking on the issues and risks facing the FDIC. We then shared listings of our planned work with the Chairman and Vice Chairman of the FDIC and sought input from congressional stakeholders on our plans for the fiscal year. We appreciate the feedback from all involved in those initiatives.

Our 2008 plan is a blueprint for our work throughout the year. To remain responsive to unforeseen issues or requests requiring our attention, however, we will modify this plan accordingly. During fiscal year 2008, I anticipate expanded investigative activity and results owing to an ongoing reorganization of our Office of Investigations, which will place Office of Investigations resources in several more of the FDIC's regional offices. Our Office of Audits will address supervision, insurance, and consumer protection issues with more narrowly focused, risk-based objectives; continue to provide needed coverage of information security matters; and devote more

attention than in the past to certain financial-related aspects of the FDIC's operations. In keeping with our Office of Evaluations' evolution to a unit that is particularly responsive to management-requested work, we have included several such assignments in our Evaluations portfolio of assignments, along with other OIG-generated evaluation work. With respect to the OIG's internal activities, we will continue a number of key efforts to ensure effective management and security of OIG resources; quality and efficiency of audits evaluations, investigations, and other activities; professional development and training; strong working relationships; and effective risk management activities.

The future holds many challenges for the FDIC and for the OIG. My office stands ready to address those challenges, as demonstrated in our planned work for fiscal year 2008, and we welcome feedback on our efforts throughout the coming year.

Jon T. Rymer
Inspector General

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Mission, Vision, Goals, Means, and Strategies

Mission and Vision

The FDIC OIG is an independent and objective unit established under the [Inspector General Act of 1978, as amended \(IG Act\)](#). The OIG's mission is to promote the economy, efficiency, and effectiveness of FDIC programs and operations, and protect against fraud, waste, and abuse to assist and augment the FDIC's contribution to stability and public confidence in the nation's financial system. In carrying out its mission, the OIG conducts audits, evaluations, and investigations; reviews existing and proposed legislation and regulations; and keeps the FDIC Chairman and the Congress currently and fully informed of problems and deficiencies relating to FDIC programs and operations.

In addition to the IG Act, the OIG also has statutory responsibilities to evaluate the FDIC's information security program and practices under the provisions of the [Federal Information Security Management Act of 2002](#), to evaluate privacy and data protection matters under Section 522 of the [Consolidated Appropriations Act of 2005](#), and to perform material loss reviews of failed FDIC-supervised depository institutions under the provisions of the [Federal Deposit Insurance Corporation Improvement Act of 1991](#).

Our vision is to be a quality-focused FDIC team that promotes excellence and trust in service to the Corporation and the public interest.

Strategic Goals and Performance Measures

The OIG has reviewed the FDIC operating environment looking at long-term and short-term issues facing the Corporation, as well as areas where significant change has occurred or is occurring. As part of the FDIC's annual reporting process, we develop "Management and Performance Challenges" reflecting significant issues that the Corporation faces in carrying out its mission. We also meet with congressional staff and monitor the issues facing the Congress in its hearings and reports. The OIG has hosted conferences on "Emerging Issues" with participants from other OIGs of financial regulatory agencies, the Government Accountability Office (GAO), regulatory agency officials, and congressional staff. We also maintain ongoing dialogue with the FDIC's senior leadership and met with FDIC

executives to discuss their areas of challenge and concern for 2008. We believe that this process has resulted in OIG strategic goals that are mission-related and outcome-oriented, and that will contribute to the achievement of the FDIC's mission.

To help accomplish our mission and achieve our vision, the OIG has established six strategic goals. Five of these strategic goals, which are our external goals, relate to the FDIC's programs and activities. These goals are as follows:

The OIG will

- Assist the FDIC to ensure the nation's banks operate safely and soundly.
- Help the FDIC maintain the viability of the insurance fund.

- Assist the FDIC to protect consumer rights and ensure customer data security and privacy.
- Help ensure that the FDIC is ready to resolve failed banks and effectively manages receiverships.
- Promote sound governance and effective stewardship and security of human, financial, information technology, and physical resources.

In addition, we have established a sixth (internal) strategic goal:

The OIG will

- Build and sustain a high-quality staff, effective operations, OIG independence, and mutually beneficial working relationships.

Performance Measures

We have developed qualitative performance measures that reflect mission-related goals and outcomes. These complement our quantitative performance measures. Each qualitative performance goal includes a set of key efforts representing ongoing work or work to be undertaken during 2008 in support of the goal. Also, potential outcomes have been identified for each performance goal to highlight the improvements that may result from these key efforts. We will measure our success in meeting our qualitative goals by having OIG senior management assess the extent to which we accomplish the work described in the key efforts under each goal. As part of our assessment, senior management will consider

the amount of work conducted and the results and recommendations made for each key effort, and then determine whether the overall body of work produced adequately achieves or addresses the related goal.

We are also continuing to use a streamlined list of quantitative measures that emphasize outcomes and results. These measures include financial benefits resulting from our audits, evaluations, and investigations; positive changes resulting from our recommendations (e.g., improved FDIC policies, practices, processes, systems, or controls); investigation actions (e.g., indictments, convictions, employee actions); recommendations implemented; and timeliness and cost-effectiveness of our work and related products.

Together, our qualitative and quantitative performance measures will help us determine the degree to which the OIG's work provides timely, quality support to the Congress, the Chairman, other FDIC officials, the banking industry, and the public. We will periodically assess the results of our performance and the appropriateness of our performance measures and goals, and make changes, as warranted.

OIG Resources Management

Under Goal 6, our plan presents a number of initiatives to improve the quality and effectiveness of OIG processes and products. Our key efforts have a strategic importance for the OIG to ensure that we produce high-quality work, operate effectively, maintain our independence, and sustain the positive working relationships that we have established with our stakeholders.

Means and Strategies

To achieve our strategic and performance goals, we provide objective, fact-based information and analysis to the Congress, the FDIC Chairman, other FDIC officials, and the Department of Justice. This effort typically involves our audits, evaluations, or criminal investigations conducted pursuant to the IG Act and in accordance with applicable professional

standards. We also make contributions to the FDIC in other ways, such as reviewing and commenting on proposed corporate policies and draft legislation and regulations; participating as advisors in joint projects with management; providing technical assistance and advice on various issues such as information technology, strategic planning, risk

management, and human capital; and participating in internal FDIC conferences and seminars.

In planning and budgeting our resources, we use an enterprise-wide risk assessment and planning process that considers current and emerging industry trends, and corporate programs, operations, and risks. Our audit and evaluation plans, which outline planned audit and evaluation coverage for the coming year, are based in part on the OIG's assessment of risks to the FDIC in meeting its strategic goals and objectives. This risk-based assessment process is linked to the Corporation's program areas and the OIG's identification of management and performance challenges in those areas. In formulating our assignment plans, we solicit input from senior FDIC management and members of the FDIC Audit Committee, as well as the Congress.

Conducting investigations of activities that may harm or threaten to harm the operations or integrity of the FDIC and its programs is a key activity for achieving our goals. These investigations involve fraud at financial institutions, obstruction of FDIC examinations, misrepresentations of deposit insurance coverage, identity theft crimes, concealment of assets by FDIC debtors, or criminal or other serious misconduct on the part of FDIC employees or contractors. In conducting our investigations, we coordinate and work closely with U.S. Attorneys' Offices, other law enforcement organizations, and FDIC divisions and offices. The OIG also operates an Electronic Crimes Unit (ECU) and laboratory in Washington, D.C. The ECU is responsible for conducting computer-related investigations and providing computer forensic support to investigations nationwide. We also manage the OIG Hotline for FDIC employees, contractors, and others to report allegations of fraud, waste, abuse, and mismanagement via a toll-free number or e-mail.

Another means of ensuring we achieve our goals is to maintain positive working relationships with the Congress, the Chairman,

FDIC officials, and other OIG stakeholders. We provide timely, complete, and high-quality responses to congressional inquiries and communicate regularly with the Congress about OIG work and its conclusions. Also, the OIG communicates with the Chairman, Vice Chairman, other Board Members, and senior executives through briefings about ongoing and completed work and is a regular participant at Audit Committee meetings. The OIG also places a high priority on building strong alliances with GAO, the President's Council on Integrity and Efficiency (PCIE), the Executive Council on Integrity and Efficiency (ECIE), and other agencies' Offices of Inspector General.

Human Capital

The OIG's employees are our most important resource for accomplishing our mission and achieving our goals. For that reason, we strive to operate a human resources program that attracts, develops, motivates, rewards, and retains a highly skilled, diverse, and capable staff.

The OIG staff is comprised of auditors, criminal investigators, attorneys, program analysts, computer specialists, and administrative personnel. The OIG staff holds numerous advanced educational degrees and possesses a number of professional licenses and certificates. To maintain professional proficiency, each of our staff attains an average of about 55 hours of continuing professional education and training annually.

Like much of the FDIC, the OIG has been downsizing its staff for several years in response to changes in the banking industry that have resulted in bank consolidations and improved financial health and the near completion of resolutions of failed institutions during the banking and thrift crises of the 1980s and early 1990s. Overall OIG staffing will have decreased from the authorized level of 190 in fiscal year 2003 to an authorized level of 127 in fiscal year 2008.

Information Technology

We strive to closely link information technology (IT) planning and investment decisions to our mission and goals, thus helping ensure that OIG

managers and staff have the IT tools and services they require to successfully and productively perform their work. We want to enable our managers and staff, through reliable and modern technology, to maximize productivity and responsiveness. To help realize this goal and vision, our strategy will be to pursue IT solutions that optimize our effectiveness and efficiency, connectivity, reliability, and security, and employ best practices in managing our IT systems, services, and investments. In 2008, we plan to explore ways to leverage the various IT resources of our component offices.

Relationship of the OIG to the FDIC

The IG Act, as amended, makes the OIG responsible for keeping both the FDIC Chairman and the Congress fully and currently

informed about problems and deficiencies relating to FDIC programs and operations. This dual reporting responsibility makes our role unique at the FDIC and can present a number of challenges for establishing and maintaining an effective working relationship with management. Although we are an integral part of the Corporation, unlike any other FDIC division or office, our legislative underpinning requires us to operate as an independent and objective oversight unit at the same time. As such, a certain amount of tension with the Corporation may be inherent in the nature of our mission. Notwithstanding, the OIG has established a cooperative and productive relationship with the Corporation by fostering open and honest communication; building relationships based upon mutual respect; conducting our work in an objective and professional manner; and recognizing and addressing the risks, priorities, and needs of the FDIC.

FDIC Office of Inspector General

Business Plan Framework

(2008 – 2013)

VISION

The Office of Inspector General is a quality-focused FDIC team that promotes excellence and trust in service to the Corporation and the public interest.

MISSION

The Office of Inspector General promotes the economy, efficiency, and effectiveness of FDIC programs and operations, and protects against fraud, waste, and abuse, to assist and augment the FDIC's contribution to stability and public confidence in the nation's financial system.

STRATEGIC GOALS

Safety & Soundness	Insurance	Consumer Protection	Receivership Management	FDIC Resources Management	OIG Resources Management
Assist the FDIC to ensure the nation's banks operate safely and soundly	Help the FDIC maintain the viability of the insurance fund	Assist the FDIC to protect consumer rights and ensure customer data security and privacy	Help ensure that the FDIC is ready to resolve failed banks and effectively manages receiverships	Promote sound governance and effective stewardship and security of human, financial, IT, and physical resources	Build and sustain a high-quality staff, effective operations, OIG independence, and mutually beneficial working relationships

FY 2008 PERFORMANCE GOALS

<ul style="list-style-type: none"> ▪ Help ensure the effectiveness and efficiency of the FDIC's supervision program ▪ Investigate and assist in prosecuting bank secrecy act violations, money laundering, terrorist financing, fraud, and other financial crimes in FDIC-insured institutions 	<ul style="list-style-type: none"> ▪ Evaluate corporate programs to identify and manage risks that can cause losses to the fund ▪ Evaluate selected aspects of implementation of deposit insurance reform 	<ul style="list-style-type: none"> ▪ Contribute to the effectiveness of the Corporation's efforts to ensure compliance with consumer protections at FDIC-supervised institutions ▪ Conduct investigations of fraudulent representations of FDIC affiliation or insurance that negatively impact public confidence in the banking system 	<ul style="list-style-type: none"> ▪ Evaluate the FDIC's plans and systems for managing bank resolutions ▪ Investigate crimes involved in or contributing to the failure of financial institutions or that lessen or otherwise affect recoveries by the Deposit Insurance Fund involving restitution or otherwise. 	<ul style="list-style-type: none"> ▪ Evaluate corporate efforts to manage human resources and operations efficiently, effectively, and economically ▪ Promote integrity in FDIC internal operations ▪ Promote alignment of IT with the FDIC's business goals and objectives ▪ Promote IT security measures that ensure the confidentiality, integrity, and availability of corporate information ▪ Promote personnel and physical security ▪ Promote sound corporate governance and effective risk management and internal control efforts 	<ul style="list-style-type: none"> ▪ Effectively and efficiently manage OIG human, financial, IT, and physical resources ▪ Ensure quality and efficiency of OIG audits, evaluations, investigations and other projects and operations ▪ Encourage individual growth and strengthen human capital management and leadership through professional development and training ▪ Foster good client, stakeholder, & staff relationships ▪ Enhance OIG risk management activities
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Strategic Goal 1:

The OIG Will Assist the FDIC to Ensure the Nation's Banks Operate Safely and Soundly

The Corporation's bank supervision program promotes the safety and soundness of FDIC-supervised insured depository institutions. As of September 30, 2007, the FDIC was the primary federal regulator for 5,210 FDIC-insured, state-chartered institutions that were not members of the Federal Reserve System (generally referred to as "state non-member" institutions). The Department of the Treasury (the Office of the Comptroller of the Currency and the Office of Thrift Supervision) or the Federal Reserve Board supervise other banks and thrifts, depending on the institution's charter.

The Corporation also has back-up examination authority to protect the interests of the deposit insurance fund for more than 3,400 national banks, state-chartered banks that are members of the Federal Reserve System, and savings associations.

The examination of the banks that it regulates is a core FDIC function. The Corporation's year-to-date information reports that through September 30, 2007, the Corporation had conducted 1,706 safety and soundness examinations. Through this process, the FDIC assesses the adequacy of management and internal control systems to identify, measure, and control risks; and bank examiners judge the safety and soundness of a bank's operations. The examination program employs risk-focused supervision for banks. According to examination policy, the objective of a risk-focused examination is to effectively evaluate the safety and soundness of the bank, including

the assessment of risk management systems, financial condition, and compliance with applicable laws and regulations, while focusing resources on the bank's highest risks.

In the event of an insured depository institution failure, the Federal Deposit Insurance (FDI) Act, requires the cognizant OIG to perform a review when the deposit insurance fund incurs a material loss. The FDIC OIG performs the review if the FDIC is the primary regulator of the institution. The Department of the Treasury OIG and the OIG at the Board of Governors of the Federal Reserve System perform reviews when their agencies are the primary regulators. These reviews identify what caused the material loss, evaluate the supervision of the federal regulatory agency (including compliance with the Prompt Corrective Action requirements of the Federal Deposit Insurance Act), and propose recommendations to prevent future failures. A loss is considered material to the insurance fund if it will exceed \$25 million and 2 percent of the failed institution's total assets. During the past fiscal year, the failure of FDICMetropolitan Bank in February 2007 did not meet the materiality threshold for the OIG to conduct a material loss review. The OIG, however, must be prepared to conduct such a review, as necessary, and will work with the Division of Supervision and Consumer Protection (DSC) and the Division of Resolutions and Receiverships (DRR) to ensure such readiness.

Bank regulators, both domestically and internationally, have devised new standards for bank capital requirements commonly referred to as Basel IA and Basel II. The intent of Basel II is to more closely align regulatory capital with risk in

large or multinational banks. In conjunction with the transition to Basel II, the FDIC and the other federal bank regulatory agencies are pursuing a more risk-sensitive capital framework for the institutions that are not subject to or that opt out of Basel II. This new Basel IA capital framework seeks to minimize potential inequities between large and small banks resulting from Basel II implementation while maintaining adequate capital levels and avoiding undue burden on the affected institutions.

The OIG's investigators play a key role in helping to ensure the nation's banks operate safely and soundly. All financial institutions today are at risk of being used to facilitate criminal activities, including money laundering and terrorist financing. The Corporation needs to guard against a number of financial crimes and other threats, including money-laundering, terrorist financing, data security breaches, and financial institution fraud. Bank management is the first line of defense against fraud, and the banks' independent auditors are the second line of defense. Because fraud is both purposeful and hard to detect, it can significantly raise the cost of a bank failure, and examiners must be alert to the possibility of fraudulent activity in financial institutions.

The OIG's Office of Investigations (OI) works closely with FDIC management in DSC and the Legal Division to identify and investigate financial institution crime, especially various types of fraud. OIG investigative efforts are concentrated on those cases of most significance or potential impact to the FDIC and its programs. The goal, in part, is to bring a halt to the fraudulent conduct under investigation, protect the FDIC and other victims from further harm, and assist the FDIC in recovery of its losses. Pursuing appropriate criminal penalties not only serves to punish the offender but can also deter others from participating in similar crimes.

Since the terrorist attacks of September 11, 2001, the Federal Bureau of Investigation (FBI) has no longer been able to devote the same

level of resources to financial institution fraud cases. U.S. Attorneys' Offices and FBI Offices throughout the country are increasingly relying on the FDIC OIG to handle such cases. The OIG is also receiving more referrals of financial institution fraud matters from DSC. Our criminal investigations can also be of benefit to the FDIC in pursuing enforcement actions to prohibit offenders from continued participation in the banking system. The mutually beneficial working relationships we have established with others in the FDIC have reaped valuable benefits.

When investigating instances of financial institution fraud, the OIG also defends the vitality of the FDIC's examination program by investigating associated allegations or instances of criminal obstruction of bank examinations and by working with U.S. Attorneys' Offices to bring these cases to justice.

The OIG's investigations of financial institution fraud currently constitute approximately 80 percent of the OIG's investigation caseload. The OIG is also committed to continuing its involvement in interagency forums addressing fraud. Such groups include national and regional bank fraud, check fraud, mortgage fraud, cyberfraud, identity theft, and anti-phishing working groups. Additionally, the OIG engages in industry outreach efforts to keep financial institutions informed on fraud-related issues and to educate bankers on the role of the OIG in combating financial institution fraud.

Under the Bank Secrecy Act (BSA), banks must file a Currency Transaction Report (CTR) with the Treasury Department for each transaction over \$10,000 or multiple cash transactions by any individual in one business day or over the period of a day aggregating over \$10,000. The BSA also requires banks to file Suspicious Activity Reports (SARs) when suspected money laundering or BSA violations occur. Although the Department of the Treasury has overall authority for BSA enforcement and compliance, the Financial Crimes Enforcement Network (FinCEN), created in 1990, has delegated authority to administer the BSA. FinCEN maintains automated systems from which DSC examiners can download information on CTRs and SARs filed by FDIC-supervised institutions. The

filing and use of SARs and CTRs has been the subject of significant regulatory, congressional, and banking community interest. Our establishment of a data base of SARs has augmented our capability to coordinate with the Corporation and search and sort data from FinCEN and assist OIG investigations and DSC enforcement actions. In the upcoming year, we will continue to refine our SAR database to maximize its usefulness to support investigations and FDIC enforcement activities.

The OIG’s role under this strategic goal is conducting audits and evaluations that review the effectiveness of various FDIC programs and examination processes aimed at providing continued stability to the nation’s banks. Areas of focus for 2008 include the CAMELS ratings process, examiner assessment of interest rate risk, aspects of non-traditional mortgage

products, and FDIC activities addressing liquidity risks. Another major means of achieving this goal will be through investigations of fraud at FDIC-supervised institutions; fraud by bank officers, directors, or other insiders; fraud leading to the failure of an institution; fraud impacting multiple institutions; and fraud involving monetary losses that could significantly impact the institution.

2008 Performance Goals: To assist the FDIC to ensure the nation’s banks operate safely and soundly, the OIG will

- Help ensure the effectiveness and efficiency of the FDIC’s supervision program, and
- Investigate and assist in prosecuting BSA violations, money laundering, terrorist financing, fraud, and other financial crimes in FDIC-insured institutions.

2008 Performance Goal 1.1:
Help ensure the effectiveness and efficiency of the FDIC’s supervision program.

Key Efforts and Potential Benefits

Key Effort	Potential Benefit
1. Material loss reviews of failures of FDIC-supervised insured depository institutions, as mandated. [AUDIT]	Improved supervision program for identifying and addressing unsafe and unsound banking practices to reduce or eliminate losses associated with institution failures.
2. Determine the extent to which FDIC has established controls to ensure uniformity in the CAMELS ratings process. [AUDIT]	Assurance that controls have been established and are functioning to ensure uniformity in the CAMELS ratings process.
3. Determine whether the FDIC has appropriate policies and procedures for assessing and addressing institutions’ sensitivity to interest rate changes. [AUDIT]	Improved supervision program to identify, assess, and address interest rate risk.
4. Assess the examination coverage of loan terms and underwriting standards for non-traditional mortgage products at FDIC-supervised institutions. [AUDIT]	Opportunities to strengthen the FDIC’s examination practices related to nontraditional mortgage products.

Key Effort	Potential Benefit
<p>5. Determine the extent to which the FDIC addresses institution liquidity risk through various regulatory and supervisory activities, including institution and examination policies, procedures, and guidance; examiner training; and risk management examinations. [AUDIT]</p>	<p>Improved supervision program to identify, assess, and address liquidity risks.</p>

Ongoing audit and evaluation key efforts related to this strategic goal that will carry over to FY 2008 include the following:

- The FDIC's Assessment of Commercial Real Estate Concentration Risk
- DSC's Examination Assessment of Interest Rate Risk
- FDIC Oversight of Subprime Credit Card Lending
- FDIC's Implementation of the USA PATRIOT Act
- Examination Procedures for Assessing Controls to Protect Customer and Consumer Information at Multiregional Data Processing Servicers

2008 Performance Goal 1.2:

Investigate and assist in prosecuting bank secrecy act violations, money laundering, terrorist financing, fraud, and other financial crimes in FDIC-insured institutions.

Key Efforts and Potential Benefits

Key Effort	Potential Benefit
<p>1. Continue to respond to and investigate allegations of fraud and other financial crimes affecting FDIC-insured institutions, referred to the OIG by FDIC, U.S. Attorneys' Offices, other law enforcement agencies, or identified through review and analysis of SAR filings. [INVESTIGATION]</p>	<p>Help the FDIC ensure that proven offenders are removed from the banking industry, limiting their ability to cause further harm to FDIC-insured institutions; contribute to government-wide efforts to enforce Title 18 to punish and deter criminal activity; and obtain forfeiture, restitution or other forms of recovery for losses sustained by the FDIC and other victims of these crimes.</p>
<p>2. Continue to develop and provide training to FDIC, Federal Financial Institutions Examination Council (FFIEC), and industry officials related to financial and electronic crimes that can threaten FDIC institutions. [INVESTIGATION]</p>	<p>Heightened awareness of the various signs of fraud, methods to prevent fraud, and strategies to help combat fraud and prosecute offenders; broader understanding of OIG mission and accomplishments.</p>

Key Effort	Potential Benefit
<p>3. Maintain and continue to refine the OIG’s SAR Database to better enable OI to identify and prioritize financial institution fraud cases of significance to the FDIC. [INVESTIGATION]</p>	<p>Increased ability and efficiency in reviewing and analyzing SAR data in order to identify potential fraud and significant trends, and to support current and future investigations and FDIC enforcement programs and operations.</p>
<p>4. Continue to coordinate and communicate regularly with DSC and the Legal Division regarding financial institution fraud cases. [INVESTIGATION]</p>	<p>Greater mutual understanding of particular law enforcement or regulatory/enforcement concerns associated with specific cases or types of cases; identification of cases of importance to the FDIC; opportunity to provide a law enforcement perspective to DSC and the Legal Division in their assessment of pertinent SARs, while developing potential matters for criminal investigation</p>
<p>5. Participate in law enforcement/regulatory task forces and working groups to identify cases warranting FDIC OIG attention, and identify trends and concerns relating to fraud affecting the industry and the banking public. [INVESTIGATION]</p>	<p>Improved coordination with other law enforcement and regulatory agencies; efficient and timely exchanges of information; possible development of more effective investigation strategies that maximize limited resources available within multiple agencies.</p>



Strategic Goal 2:

The OIG Will Help the FDIC Maintain the Viability of the Insurance Fund

Federal deposit insurance remains a fundamental part of the FDIC's commitment to maintain stability and public confidence in the Nation's financial system. A priority for the FDIC is to ensure that the Deposit Insurance Fund remains viable to protect depositors in the event of an institution's failure. To maintain sufficient DIF balances, the FDIC collects risk-based insurance premiums from insured institutions and invests deposit insurance funds.

The FDIC, in cooperation with the other primary federal regulators, proactively identifies and evaluates the risk and financial condition of every insured depository institution. The FDIC also identifies broader economic and financial risk factors that affect all insured institutions. The FDIC is committed to providing accurate and timely bank data related to the financial condition of the banking industry. Industry-wide trends and risks are communicated to the financial industry, its supervisors, and policymakers through a variety of regularly produced publications and ad hoc reports. Risk-management activities include approving the entry of new institutions into the deposit insurance system, off-site risk analysis, assessment of risk-based premiums, and special insurance examinations and enforcement actions. In light of increasing globalization and the interdependence of financial and economic systems, the FDIC also supports the development and maintenance of effective deposit insurance and banking systems worldwide.

Primary responsibility for identifying and managing risks to the Deposit Insurance Fund lies with the FDIC's Division of Insurance and

Research, DSC, and DRR. To help integrate the risk management process, the FDIC established the National Risk Committee (NRC), a cross-divisional body. Also, a Risk Analysis Center monitors emerging risks and recommends responses to the NRC. In addition, a Financial Risk Committee focuses on how risks impact the Deposit Insurance Fund and financial reporting.

The consolidation of the banking industry has resulted in fewer and fewer financial institutions controlling an ever expanding percentage of the Nation's financial assets. While over 90 percent of U.S. banks and thrifts are small community-based institutions, the 25 largest banking organizations hold about 71 percent of the industry's assets. The FDIC is the primary federal regulator for none of these large financial institutions. In recent years, the FDIC has taken a number of measures to strengthen its oversight of the risks to the insurance fund posed by the largest institutions, and its key programs include the following:

- Large Insured Depository Institution Program,
- Dedicated Examiner Program,
- Shared National Credit Program, and
- Off-site monitoring systems.

During 2007, the OIG conducted audits of both the Dedicated Examiner Program and the Shared National Credit Program and reported positive findings on both.

The Congress enacted deposit insurance reform in early 2006 that gives the FDIC more discretion in managing the DIF and allows the Corporation to better price deposit insurance based on risk. In October 2006, the Board of Directors approved a

final rule to implement a one-time assessment credit to banks and thrifts. The credit is being used to offset future assessments charged by the FDIC and recognizes contributions that certain institutions made to capitalize the funds during the first half of the 1990s. In November 2006, the Board also adopted a final rule on the pricing structure and approved a more risk-sensitive framework for the 95 percent of insured institutions that are well-capitalized and well managed.

The OIG’s audit work for 2008 envisions an audit of the Corporation’s investment management practices related to the Deposit Insurance Fund, a review of the Corporation’s off-site monitoring activities, and an audit addressing the FDIC’s receipt of savings association subsidiary notices. We will also evaluate an important aspect of deposit

insurance reform implementation, specifically, invoicing and collecting deposit insurance assessments.

We would note that investigative activity described in Goal 1 also fully supports the strategic goal of helping to maintain the viability of the DIF. The OIG’s efforts often lead to successful prosecutions of fraud in financial institutions, and/or fraud that can cause losses to the fund.

2008 Performance Goals: To help the FDIC maintain the viability of the deposit insurance fund, the OIG will

- Evaluate corporate programs to identify and manage risks that can cause losses to the fund.
- Evaluate selected aspects of implementation of deposit insurance reform.

2008 Performance Goal 2.1:
Evaluate corporate programs to identify and manage risks that can cause losses to the fund.

Key Efforts and Potential Benefits

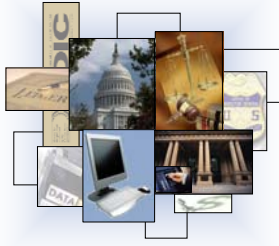
Key Effort	Potential Benefit
1. Determine whether the FDIC’s Deposit Insurance Fund investments and its National Liquidation Fund investments are meeting their objectives related to return, volatility, and liquidity, while maintaining adequate controls over the investment process. [AUDIT]	Strengthened FDIC investment management practices related to the Deposit Insurance Fund.
2. Determine whether DSC makes effective use of Statistical CAMELS Off-site Rating, Growth Monitoring System, and Real Estate Stress Test data for off-site monitoring purposes and takes appropriate action to follow up on significant concerns in a timely manner. [AUDIT]	Assurance that the FDIC is making effective use of Call Report data for off-site monitoring of insurance risks.
3. Determine whether there are controls in place to ensure that the FDIC receives savings association subsidiary notices in a timely manner and reviews these notices to assess possible risks posed to the Deposit Insurance Fund. [AUDIT]	Improved assessment and mitigation of risks posed to the Deposit Insurance Fund from activities conducted by savings association subsidiaries.

2008 Performance Goal 2.2:

Evaluate selected aspects of implementation of deposit insurance reform.

Key Efforts and Potential Benefits

Key Effort	Potential Benefit
<ol style="list-style-type: none"> 1. Determine whether the FDIC has established and implemented effective controls to ensure compliance with the statutory and regulatory requirements related to invoicing and collecting deposit insurance assessments. [AUDIT] 	<p>Assurance that a sound internal control structure is in place for collection of deposit insurance assessments.</p>



Strategic Goal 3:

The OIG will Assist the FDIC to Protect Consumer Rights and Ensure Customer Data Security and Privacy

Consumer protection laws are important safety nets for Americans. The U.S. Congress has long advocated particular protections for consumers in relationships with banks. For example:

- The [Community Reinvestment Act](#) (CRA) encourages federally insured banks to meet the credit needs of their entire community.
 - The [Equal Credit Opportunity Act](#) prohibits creditor practices that discriminate based on race, color, religion, national origin, sex, marital status, or age.
 - The [Home Mortgage Disclosure Act](#) was enacted to provide information to the public and federal regulators regarding how depository institutions are fulfilling their obligations towards community housing needs.
 - The [Fair Housing Act](#) prohibits discrimination based on race, color, religion, national origin, sex, familial status, and handicap in residential real-estate-related transactions.
 - The [Gramm-Leach-Bliley Act](#) eliminated barriers preventing the affiliations of banks with securities firms and insurance companies and mandates new privacy rules.
 - The [Truth in Lending Act](#) requires meaningful disclosure of credit and leasing terms.
- The [Fair and Accurate Credit Transaction Act](#) further strengthened the country's national credit reporting system and assists financial institutions and consumers in the fight against identity theft.

The FDIC serves a number of key roles in the financial system and among the most important is the FDIC's work in ensuring that banks serve their communities and treat consumers fairly. The FDIC carries out its role by providing consumers with access to information about their rights and disclosures that are required by federal laws and regulations and examining the banks where the FDIC is the primary federal regulator to determine the institutions' compliance with laws and regulations governing consumer protection, fair lending, and community investment. As of September 30, 2007, the Corporation had conducted 1,347 compliance and Community Reinvestment Act examinations during 2007.

The FDIC's Consumer Response Center is responsible for investigating consumer complaints about FDIC-supervised institutions and responding to consumer inquiries about consumer laws and regulations and banking practices.

As the FDIC Chairman pointed out in September 2007 testimony before the House Committee on Financial Services, recent events in the credit and mortgage markets present regulators, policymakers, and the financial services industry with serious challenges. In that testimony, the Chairman committed to working with the Congress and others to ensure that the banking system remains sound and that the broader financial system is positioned to meet the credit needs of the economy, especially

the needs of creditworthy households that may experience distress. Another important FDIC initiative and a priority for the FDIC Chairman is promoting expanded opportunities for the underserved banking population in the United States to enter and better understand the financial mainstream.

On June 29, 2007, the federal bank, thrift, and credit union regulatory agencies issued the *Statement on Subprime Mortgage Lending* to address issues relating to certain adjustable-rate mortgage products that can result in payment shock. The statement describes prudent safety and soundness and consumer protection standards that institutions should follow to ensure borrowers obtain loans they can afford to repay. The agencies also published illustrations of consumer information designed to help institutions implement the consumer protection portion of the *Interagency Guidance on Nontraditional Mortgage Product Risks*. The illustrations should help consumers better understand nontraditional mortgage products and associated payment options.

Consumers today are also concerned about data security and financial privacy. Banks are increasingly using third-party servicers to provide support for core information and transaction processing functions. Of note, the increasing globalization and cost saving benefits of the financial services industry are leading many banks to make greater use of foreign-based service providers. Although generally permissible, this outsourcing practice raises certain risks. The obligations of a financial institution to protect the privacy and security of information about its customers under applicable U.S. laws and regulations remain in full effect when the institution transfers the information to either a domestic or foreign-based service provider.

Every year fraud schemes rob depositors and financial institutions of millions of dollars. The OIG's OI can identify, target, disrupt, and dismantle criminal organizations and individual operations engaged in fraud schemes that target our financial institutions or that prey on the

banking public. OIG investigations have identified multiple schemes that defraud depositors. Common schemes range from identity fraud to Internet scams such as "phishing" and "pharming."

The misuse of the FDIC's name and/or logo has also been identified as a scheme to defraud depositors. Such misrepresentations have led depositors to invest on the strength of FDIC insurance while misleading them as to the true nature of the investment products being offered. These depositors, who are often elderly and dependent on insured savings, have lost millions of dollars in the schemes. Further, abuses of this nature may erode public confidence in federal deposit insurance.

Investigative work related to such fraudulent schemes is ongoing and will continue. With the help of sophisticated technology, the OIG's Electronic Crimes Unit (ECU) will continue to work with FDIC divisions and other federal agencies to help with the detection of new fraud patterns and combat existing fraud. Coordinating closely with the Corporation's DRR and the various U.S. Attorneys' Offices, the OIG will help to sustain public confidence in federal deposit insurance and goodwill within financial institutions.

The OIG's role under this strategic goal is conducting audits, evaluations, and investigations to review the effectiveness of various FDIC programs aimed at protecting consumer rights and ensuring customer data security and privacy. We have several audits ongoing or planned to address various aspects of mortgage lending and institutions' consumer credit underwriting practices. We also plan evaluation coverage of the Consumer Response Center and will continue to conduct investigations of fraudulent schemes that target financial institutions and the public.

2008 Performance Goals: To assist the FDIC to protect consumer rights and ensure customer data security and privacy, the OIG will

- Contribute to the effectiveness of the Corporation's efforts to ensure compliance with consumer protections at FDIC-supervised institutions.

- Conduct investigations of fraudulent representations of the FDIC affiliation or insurance that negatively impact public confidence in the banking system.

2008 Performance Goal 3.1:
Contribute to the effectiveness of the Corporation's efforts to ensure compliance with consumer protections at FDIC-insured institutions.

Key Efforts and Potential Benefits

Key Effort	Potential Benefit
1. Assess the FDIC's approach to assessing community banks' consumer credit underwriting practices. [AUDIT]	Assurance that examiners are appropriately assessing institution credit underwriting procedures for consumer lending.
2. Assess the FDIC's supervision of financial institutions' compliance with key provisions of the Real Estate Settlement Procedures Act (RESPA), as amended. [AUDIT]	Improved RESPA-related policies, procedures, guidance, and associated activities for institutions and examinations.
3. Evaluate the extent to which the FDIC uses Consumer Response Center trend and activity report information in developing supervisory policy and carrying out its examination process. [EVALUATION]	Verify that the Consumer Response Center is compiling and providing to appropriate FDIC divisions and offices summary and trend information that is used to ensure effective examination policies and processes.

Ongoing audit and evaluation key efforts related to this strategic goal that will carry over to FY 2008 include the following:

- Implementation of the FDIC's Supervisory Guidance for Nontraditional Mortgage Products

2008 Performance Goal 3.2:

Conduct investigations of fraudulent representations of FDIC affiliation or insurance that negatively impact public confidence in the banking system.

Key Efforts and Potential Benefits

Key Effort	Potential Benefit
<p>1. Continue to work with DSC, the Division of Information Technology and the Legal Division to identify phishing, pharming, and other schemes that prey on the public for purposes of fraud, identity theft, or to disrupt computer operations. [INVESTIGATION]</p>	<p>Enforcement of Title 18 in order to punish and deter related criminal activity and to obtain recoveries on behalf of victims, protect consumers, and support government-wide efforts to defend financial e-markets against concerted criminal efforts that would undermine critical business activity.</p>
<p>2. Monitor proposed legislation to strengthen FDIC enforcement authority with regard to individuals that make false representations regarding FDIC-affiliation/insurance and coordinate with the FDIC to implement processes for mutual referral of such allegations for criminal/administrative action. [INVESTIGATION]</p>	<p>Defend the integrity of the FDIC's name and franchise and protect consumers against crimes harming them through the misuse of the FDIC's name or products.</p>



Strategic Goal 4: The OIG Will Help Ensure that the FDIC is Ready to Resolve Failed Banks and Effectively Manages Receiverships

The United States provides protection to depositors in its banks, savings and loan associations, and credit unions. The FDIC plays a key role in this regard. Among its various functions, the FDIC seeks the least costly resolution strategy and acts as the receiver or liquidating agent for failed FDIC-insured institutions. The success of the FDIC's efforts in resolving troubled institutions has a direct impact on the banking industry and on the taxpayers.

DRR exists to plan and efficiently handle the resolutions of failing FDIC-insured institutions and to provide prompt, responsive, and efficient administration of failing and failed financial institutions in order to maintain confidence and stability in our financial system.

- The **resolution process** involves valuing a failing federally insured depository institution, marketing it, soliciting and accepting bids for the sale of the institution, determining which bid to accept, and working with the acquiring institution through the closing process.
- The **receivership process** involves performing the closing function at the failed bank; liquidating any remaining assets; and distributing any proceeds to the FDIC, the bank customers, general creditors, and those with approved claims.

The FDIC's resolution and receivership activities pose tremendous challenges. Today record profitability and capital in the banking industry have led to a substantial decrease in the number of financial institution failures compared to prior years. However, as indicated by the trends in mergers and acquisitions, banks are becoming more complex, and the industry is consolidating into larger organizations. As a result, the FDIC could potentially have to handle a failing institution with a significantly larger number of insured deposits than it has had to deal with in the past.

Although there have been far fewer failures in recent years, DRR must be ready to resolve troubled institutions and is, in fact, continuing to focus on its ability to resolve institutions of any size. According to FDIC analysis, the failures of the 1980s and early 1990s were concentrated in the energy, agriculture, and commercial real estate sectors. In contrast, more recent bank failures are largely attributable to fraud, mismanagement, improper accounting and reporting practices, and losses related to investments in sub-prime lending.

The change between how the FDIC handled resolutions and receiverships 20 years ago and how it will be handling them 20 years from now will be largely based on learning to anticipate and plan, instead of reacting. Through the development of new resolution strategies within the various DRR business lines, the FDIC must set far-reaching plans for the future to keep pace with a changing industry. DRR has developed models to train FDIC staff and prepare for differing circumstances. One major

corporate initiative was the Corporation's 2007 Strategic Readiness Project. The purpose of the project was to create a simulation that would stress the decision-making associated with a large bank failure, enhance the FDIC's ability to determine an effective resolution strategy, advance knowledge of the process, and identify lessons learned. The OIG monitored the simulation, and insights gained have helped in planning work for this goal area in 2008.

From an investigative standpoint, the OIG coordinates closely with DRR, with special attention to various types of financial institution fraud and related crimes, including concealment of assets. In many instances, the individuals do not have the means to pay. However, a few individuals do have the means to pay but hide their assets and/or lie about their ability to pay. OI works closely with DRR and the Legal Division in aggressively pursuing criminal investigations of these individuals. In the case of bank closings where fraud is suspected, OI is prepared to send case agents and computer forensic special agents from the ECU to the institution. Agents use different investigative tools to provide computer forensic support to OI's investigations by obtaining, preserving, and later examining evidence from computers at the bank.

The OIG's role under this strategic goal is conducting audits and evaluations that assess the effectiveness of the FDIC's various programs designed to ensure that the FDIC is ready to and does respond promptly, efficiently,

and effectively to financial institution closings. For 2008, we have two evaluations planned related to potential bank failures. One will evaluate the Corporation's approach to contingency contracts to assist in resolution activities. The other will look more closely at the FDIC's planning and preparation for challenges associated with closing a large bank.

The OIG itself will be looking at its own protocols for responding in the event of a large bank or multiple bank failures. Additionally, the OIG's investigative authorities will be used to pursue instances where fraud has contributed to the bank failure or where fraud is committed to avoid paying the FDIC civil settlements, court-ordered restitution, and other payments as the institution receiver. The OIG will also continue to work with FDIC officials to keep current with ongoing efforts of DRR and the Corporation as a whole, to sustain proficiency in resolution activity and to prepare for the possibility of a large institution failure or multiple failures caused by a single catastrophic event.

2008 Performance Goals: To help ensure the FDIC is ready to resolve failed banks and effectively manages receiverships, the OIG will:

- Evaluate the FDIC's plans and systems for managing bank resolutions.
- Investigate crimes involved in or contributing to the failure of financial institutions or which lessen or otherwise affect recoveries by the Deposit Insurance Fund, involving restitution or otherwise.

2008 Performance Goal 4.1:

Evaluate the FDIC’s plans and systems for managing bank resolutions.

Key Efforts and Potential Benefits

Key Effort	Potential Benefit
<p>1. Evaluate the viability of DRR’s resolution contingency contract approach. [EVALUATION]</p>	<p>Assurance that DRR’s approach provides immediate access to needed contractor support; opportunities to improve DRR’s approach.</p>
<p>2. Evaluate the FDIC’s planning and preparation for identifying and addressing obstacles and logistics related to closing a large bank. [EVALUATION]</p>	<p>Identify gaps in DRR’s plans to address obstacles/logistics related to closing a large bank and suggest opportunities to improve DRR’s planning efforts for a large bank failure.</p>

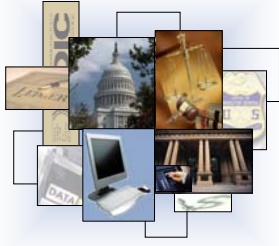
2008 Performance Goal 4.2:

Investigate crimes involved in or contributing to the failure of financial institutions or which lessen or otherwise affect recoveries by the Deposit Insurance Fund, involving restitution or otherwise.

Key Efforts and Potential Benefits

Key Effort	Potential Benefit
<p>1. Continue to provide a team of OI agents, to include computer forensics agents, to participate in the event of any bank closing where fraud is suspected and aggressively pursue criminal investigations of any fraud that contributed to an institution failure. [INVESTIGATION]</p>	<p>Early collection and preservation of evidence and information needed to support a criminal prosecution; effective sharing of information with the FDIC to help support resultant civil/regulatory actions.</p>
<p>2. Pursue with DRR/DSC integration in training modules of one or more presentations on OI investigative processes/concerns in the context of bank closings. [INVESTIGATION]</p>	<p>More effective participation in closings, better understanding of the institution to enable more targeted investigative efforts at the moment of a closing, more efficient exchanges of information with the FDIC in its efforts to minimize the cost of closings to the DIF.</p>
<p>3. Establish more systematic process for coordination with DSC, DRR, and the Legal Division in the agency’s preparation for potential closings. [INVESTIGATION]</p>	<p>Clearer lines of communication with the agency in the closing environment; better methods of identifying and preserving evidence, taking into account the business needs of the agency and the needs of a criminal investigation; more effective</p>

Key Effort	Potential Benefit
	planning for the use of scarce resources (e.g., closing team assets and OI resources, including electronic crimes group assets) in the context of closings.
<p>4. Continue to conduct investigations referred by the Legal Division and DRR of suspected criminal concealment of assets by individuals owing restitution to the FDIC. [INVESTIGATION]</p>	<p>Imposition of criminal penalties against these “repeat offenders”; deterrence of others from committing similar offenses; recovery of funds for FDIC.</p>



Strategic Goal 5: The OIG Will Promote Sound Governance and Effective Stewardship and Security of Human, Financial, IT, and Physical Resources

The FDIC must effectively manage and utilize a number of critical strategic resources in order to carry out its mission successfully, particularly its human, financial, IT, and physical resources.

Human Capital Resources: In the aftermath of corporate downsizing, and in light of a growing number of employees with retirement eligibility, the FDIC was faced with significant human capital challenges. The FDIC established a new human capital framework and strategy to guide its planned evolution toward a more flexible permanent workforce that will be capable of responding rapidly to significant changes in the financial services industry or unexpected changes in workload or priorities. The implementation of the Corporate Employee Program, (CEP) the Succession Management Program, and the Leadership Development Program are initiatives to that end. To cross-train employees and build a more diverse and ready workforce, the FDIC also created the Professional Learning Account (PLA) program in 2007 to allocate time and money for each qualified employee to manage, in partnership with the employee's supervisor, the employee's learning goals. OIG work planned for 2008 includes an evaluation of the CEP program.

With corporate downsizing has come, in many instances, increased reliance on contracted services and potential increased exposure to risk if contracts are not managed properly. Processes and related controls for identifying needed goods and services, acquiring them, and

monitoring contractors after contract award must be in place and work effectively. As a good steward, the FDIC must ensure it receives the goods and services purchased with corporate funds. Further, the FDIC must have mechanisms in place to periodically evaluate the continuing need for contracts and determine whether there are corporate contracts that can be eliminated. During 2007, the OIG conducted several evaluations in the contracting area. In one, we evaluated the Corporation's process for issuing task orders under a \$554.8 million IT application basic services ordering agreement. In another, we assessed contract administration. In 2008, our focus will include performance-based contracting and FDIC benefits contracts. We will also audit the Corporation's oversight of a significant infrastructure services contract.

The achievement of the FDIC's mission, in large part, depends upon employees and contractors who uphold values of integrity, honesty, and a commitment to maintain the public's trust and confidence in the Corporation. In order to promote a working environment that embraces such values, there must be means in which misconduct is identified and handled appropriately. To foster a working environment of high integrity, it is also critical that employees and contractors receive ethics and conduct training. As a means of ensuring employee integrity, the OIG investigates allegations of serious crimes, misconduct, or ethical violations on the part of FDIC employees. The OIG also maintains a Hotline to field such concerns from others.

Financial Resources: The Corporation does not receive an annual appropriation, except for its OIG, but rather is funded by the premiums that banks and thrift institutions pay for deposit insurance coverage, the sale of assets recovered from failed banks and thrifts, and from earnings on investments in U.S. Treasury securities.

The FDIC Board of Directors approves an annual Corporate Operating Budget to fund the operations of the Corporation. The operating budget provides resources for the operations of the Corporation's three major programs or business lines—Insurance, Supervision, and Receivership Management—as well as its major program support functions (legal, administrative, financial, IT, etc.). Program support costs are allocated to the three business lines so that the fully loaded costs of each business line are displayed in the operating budget approved by the Board.

In addition to the Corporate Operating Budget, the FDIC has a separate Investment Budget that is composed of individual project budgets approved by the Board of Directors for major investment projects. Budgets for investment projects are approved on a multi-year basis, and funds for an approved project may be carried over from year to year until the project is completed. A number of the Corporation's more costly IT projects are approved as part of the investment budget process.

Expenditures from the Corporate Operating and Investment Budgets are paid from two funds managed by the FDIC—the Deposit Insurance Fund and the FSLIC Resolution Fund. The Board approved a \$1.14 billion operating budget for 2008.

IT Resources: At the FDIC, the Corporation seeks to leverage IT to support its business goals in insurance, supervision and consumer protection, and receivership management, and to improve the operational efficiency of its business processes. Along with the positive benefits that IT offers comes a certain degree of risk. In that regard, information security has been a long-standing and widely acknowledged concern among federal agencies. The

E-Government Act of 2002 recognized the importance of information security. Title III of the E-Government Act, entitled the Federal Information Security Management Act (FISMA), requires each agency to develop, document, and implement an agency-wide information security program to provide adequate security for the information and information systems that support the operations and assets of the agency. Section 522 of the Consolidated Appropriations Act of 2005 requires agencies to establish and implement comprehensive privacy and data protection procedures and have an independent third-party review performed of their privacy programs and practices. The OIG has performed yearly evaluations of the Corporation's information security and privacy programs and will do so again in 2008. We will also conduct a Section 522 review during the upcoming year.

Improving project management is another ongoing business concern. In 2005, the Division of Information Technology (DIT) Program Management Office was established as a resource center for clients, executives, project managers, and project team members engaged in the operations and oversight of IT projects. DIT initiated a Program Management Office to establish standard, repeatable project management practices and improve the results of IT project management activities. Successful project management is highly dependent upon keeping decision-makers fully informed of the cost and status of projects. The OIG has a number of audit and evaluation projects planned in 2008 to promote the best and most secure use of IT at the FDIC. These include an evaluation of the controls related to upgrading and migrating the New Financial Environment (NFE) to a UNIX operating environment, and an evaluation of the use and management of Commercial off-the-Shelf software.

Physical Resources: The FDIC employs approximately 4,500 people. It is headquartered in Washington, D.C., but conducts much of its business in six regional offices and in field offices throughout the United States. Ensuring the safety and security of the human and physical resources in those offices is a fundamental corporate responsibility that is directly tied to the

Corporation’s successful accomplishment of its mission.

Corporate Governance and Risk

Management: To provide assurance that the FDIC is achieving its strategic goals and objectives, there must be gauges that track and measure the Corporation’s performance of its operations, activities, and initiatives. Furthermore, these gauges must be aligned with the Corporation’s strategic goals and objectives and be useful to FDIC management and stakeholders.

Revised OMB Circular A-123, which became effective for fiscal year 2006, requires a strengthened process for conducting management’s assessment of the effectiveness of internal control over financial reporting. The circular also emphasizes the need for agencies to integrate and coordinate internal control assessments with other internal control-related activities and ensure that an appropriate balance exists between the strength of controls and the relative risk associated with particular programs and operations. During 2007, the OIG conducted a comprehensive evaluation of the

FDIC’s enterprise risk management program in the interest of ensuring an effective and efficient approach to identifying and managing risks that could threaten the Corporation’s success.

2008 Performance Goals: To promote sound governance and effective stewardship and security of human, financial, IT, and physical resources, the OIG will

- Evaluate corporate efforts to manage human resources and operations efficiently, effectively, and economically.
- Promote integrity in FDIC internal operations.
- Promote alignment of IT with the FDIC’s business goals and objectives.
- Promote IT security measures that ensure the confidentiality, integrity, and availability of corporate information.
- Promote personnel and physical security.
- Promote sound corporate governance and effective risk management and internal control efforts.

2008 Performance Goal 5.1:

Evaluate corporate efforts to manage human resources and operations efficiently, effectively, and economically.

Key Efforts and Potential Benefits

Key Effort	Potential Benefit
1. Determine whether key FDIC service provider contracts provide for the efficient and effective delivery of benefit services to FDIC employees. [AUDIT]	Potential cost savings and efficiencies in the administration of the FDIC’s benefits contracts.
2. Identify FDIC contracts that have had performance-based aspects and determine the extent to which the FDIC’s performance-based contracts are consistent with FDIC and applicable government-wide guidance. [EVALUATION]	Identify the extent to which the FDIC has implemented performance- based contracting in its acquisition of services and opportunities to improve award and management of performance-based acquisitions.

Key Effort	Potential Benefit
3. Assess the FDIC's efforts to implement the Corporate Employee Program. [EVALUATION]	Confirmation that the Corporate Employee Program is working as intended and constructive ideas for refining and further improving the program.
4. Evaluate the Corporation's efforts to conserve energy in its operation of datacenters and IT equipment. [EVALUATION]	Increased energy efficiency of FDIC datacenters and IT equipment and corresponding reduction in expenses for energy consumption.
5. Assess the FDIC's contract oversight management of SRA International, Inc. and its subcontractors, and support for payments made by the FDIC for IT goods and services provided by SRA and its subcontractors. [AUDIT]	Assurance that the Infrastructure Services Contract is effectively managed and that payments to the contractor are accurate, properly authorized, and adequately supported.

■ **2008 Performance Goal 5.2:** *Promote integrity in FDIC internal operations.*

Key Efforts and Potential Benefits

Key Effort	Potential Benefit
1. Continue to respond to and investigate allegations of crimes and serious misconduct or ethical violations involving FDIC employees and contractors. [INVESTIGATION]	Ensure that the FDIC is perceived as honest and acting with integrity by the public and the industry in furtherance of the agency's responsibility to maintain confidence and trust in the nation's banking system.
2. Continue to operate and manage the OIG Hotline, referring to the FDIC any management issues or trends warranting attention. [INVESTIGATION]	Receipt of allegations that may result in investigations in support of the FDIC's and the OIG's mission.
3. Continue to coordinate with DIT and Division of Administration with respect to instances of potential computer intrusion and abuse. [INVESTIGATION]	Contribute to a functioning network that fully supports the activities of the agency under any circumstances.

2008 Performance Goal 5.3:

Promote alignment of IT with the FDIC’s business goals and objectives.

Key Efforts and Potential Benefits

Key Effort	Potential Benefit
<p>1. Identify best practices in other federal agencies and the private sector for managing Commercial off-the-Shelf (COTS) software. [EVALUATION]</p>	<p>Ideas for increasing efficiencies in the FDIC’s use and maintenance of COTS software.</p>
<p>2. Identify areas of potential risk associated with DSC’s use of information technology to support its business operations. [AUDIT]</p>	<p>Identification of opportunities for DSC to achieve efficiencies and reduced risk in its use of information technology to support its business operations.</p>

2007 Performance Goal 5.4:

Promote IT security measures that ensure the confidentiality, integrity, and availability of corporate information.

Key Efforts and Potential Benefits

Key Effort	Potential Benefit
<p>1. Evaluate the effectiveness of the FDIC’s information security program and practices, including the FDIC’s compliance with the Federal Information Security Management Act (FISMA) and related information security policies, procedures, standards, and guidelines. [AUDIT]</p>	<p>Identification of information system vulnerabilities and opportunities for the FDIC to strengthen its information security program controls and practices.</p>
<p>2. In accordance with Section 522 of the Consolidated Appropriations Act, 2005, evaluate the agency’s use of information in identifiable form (i.e., personally identifiable information (PII)) and the FDIC’s privacy and data protection procedures and (2) recommend strategies and specific steps to improve privacy and data protection management practices. [AUDIT]</p>	<p>Enhanced protection of the Corporation’s PII and strengthened privacy and data protection management practices.</p>

Key Effort	Potential Benefit
<p>3. Evaluate whether the FDIC has proper controls in place to ensure an efficient and effective transfer of data when NFE software is upgraded and migrated to a UNIX environment. [EVALUATION]</p>	<p>An efficient, quality-focused approach to data conversion during NFE upgrade and migration.</p>

2008 Performance Goal 5.5: *Promote personnel and physical security.*

Key Efforts and Potential Benefits

Key Effort	Potential Benefit
<p>1. Evaluate to what extent DOA has balanced security needs and cost efficiency in administering guard services. [EVALUATION]</p>	<p>Assurance that the FDIC has reasonably balanced protecting FDIC employees, property, and the public with achieving efficiencies; opportunities to reduce costs of services while maintaining adequate protection.</p>

2008 Performance Goal 5.6: *Promote sound corporate governance and effective risk management and internal control efforts.*

Key Efforts and Potential Benefits

Key Effort	Potential Benefit
<p>1. Information Technology Procurement Integrity and Governance: The Chairman has requested an evaluation addressing various controls and issues associated with ensuring the integrity of IT procurements from pre-award through contract administration. All of the areas of interest to the Chairman will be evaluated against FDIC policies and procedures, government-wide rules and regulations, and best practices. This key effort will require several evaluation teams and multiple products. [EVALUATION]</p>	<p>This key effort will provide the Chairman with information and recommendations that will enable her to have greater assurance that IT procurements are carried out and monitored with verifiable integrity through proper and transparent governance processes.</p>

Key Effort	Potential Benefit
<p>2. Evaluate the budget execution and budget reporting process, including controls over reallocations of funds between budget categories. [EVALUATION]</p>	<p>Improve the process for monitoring and reporting the execution of the Corporation's Operating Budget and validate that controls over budget execution are appropriate.</p>
<p>3. Evaluate whether the NFE general ledger allows the FDIC to satisfy its accounting needs in an efficient and effective manner. [AUDIT]</p>	<p>Identification of potential system or process enhancements that could reduce time and effort spent on accounting tasks, strengthen data integrity controls, and improve financial reporting.</p>
<p>4. Verify and attest to the financial information reported by the FDIC to the U.S. Treasury Department via the Government-wide Financial Report System as of September 30, 2007. [AUDIT]</p>	<p>Assistance to the GAO with respect to the level of effort required to conduct the annual financial statement audit of the FDIC.</p> <p>Assurance to outside parties as to the integrity of financial information reported by the FDIC.</p>
<p>5. Evaluate controls over the procurement card program, including whether the proper delegated authority exists for use of the credit cards and whether the cards are issued and used in accordance with policy. [AUDIT]</p>	<p>Assurance that disbursements through the procurement credit card program comply with FDIC policies and procedures and are properly monitored, justified, and approved; mitigation of risk of fraudulent, improper, or abusive charges.</p>
<p>6. Determine whether the FDIC has established international travel policies that are consistent with FFIEC agencies and international travel is authorized, approved, and paid in accordance with the FDIC's General Travel Regulations. [AUDIT]</p>	<p>Identification of opportunities to strengthen the FDIC's monitoring and controls over international travel.</p>

Ongoing audit and evaluation key efforts related to this strategic goal that will carry over to FY 2008 include the following:

- FDIC's Laptop Computer Replacement Project
- FDIC's Transit Subsidy Program
- Contract Rationalization
- FDIC's Internal Risk Management Program
- FDIC's Telework Program
- FDIC's Claims Administration System



Strategic Goal 6:

The OIG Will Build and Sustain a High-Quality Staff, Effective Operations, OIG Independence, and Mutually Beneficial Working Relationships

While the OIG's work is focused principally on the FDIC's programs and operations, we have an inherent obligation to hold ourselves to the highest standards of performance and conduct. Our performance and value to our clients and stakeholders is directly linked to the knowledge and abilities of our staff. As our individual and collective abilities increase, so do the performance capacity of our organization and value to clients and stakeholders.

OIG Staff: To ensure a high-quality work environment, we must continuously invest in keeping staff knowledge and skills at a level equal to the work that needs to be done. Training and development plans are one means for ensuring that the OIG is making sound investments in staff development. While each staff member has the primary responsibility for managing his or her career, OIG supervisors and management play a key role in helping staff create and implement career development plans. In the past year, a number of OIG staff have participated in banking schools in various sectors of the country to enhance their understanding of the financial services industry. Others have pursued professional certifications to become more knowledgeable. An emerging issues symposium is another means of keeping OIG staff attuned to changes in the bank regulatory environment, and the OIG will be hosting such a symposium, along with the other federal regulatory IGs in November 2007.

Also, a mentoring program that we implemented has proven beneficial to provide career and developmental guidance to some OIG staff.

A committed leadership team is essential to our strategic goal to build and sustain a high-quality work environment. The OIG needs to develop its leaders for succession to sustain its effectiveness and excellence. OIG leaders must provide straightforward, honest, and constructive feedback about individual and organizational performance to employees. To that end, we have developed a number of tools and processes to add to the frequency and quality of performance feedback.

Complementing the OIG workforce are contracted staff who can provide expertise beyond what we possess. We will be awarding an expert services contract in November 2007 to continue to enhance our existing workforce and assist us to build more quality into our work products.

OIG Operations: To carry out its responsibilities, the OIG must be professional, independent, objective, fact-based, nonpartisan, fair, and balanced in all its work. Also, the Inspector General and OIG staff must be free both in fact and in appearance from personal, external, and organizational impairments to their independence. The OIG adheres to the Quality Standards for Federal Offices of Inspector General, issued by the PCIE and ECIE. Further, the OIG conducts its audit work in accordance with generally accepted Government Auditing Standards; its evaluations in

accordance with PCIE Quality Standards for Inspections; and its investigations, which often involve allegations of serious wrongdoing that may involve potential violations of criminal law, in accordance with Quality Standards for Investigations established by the PCIE and ECIE, and procedures established by the Department of Justice.

The Government Auditing Standards and PCIE/ECIE standards require organizations conducting audit and investigative work in accordance with the standards to have appropriate internal quality control systems in place and undergo an external quality control review. The external quality control reviews are conducted once every 3 years by an organization not affiliated with the OIG.

IT has become an essential component of almost every OIG business operation. As a component of the FDIC, the OIG receives and will continue to receive support and services offered throughout the Corporation. Where operational independence is necessary to ensure completion of the OIG mission, the OIG independently undertakes IT initiatives as needed. For instance, OIG staff are connected to the FDIC computer network and carry out day-to-day functions within the Corporation's firewall protections. In other areas, the OIG needs more independence. For example, we manage our own Internet site and content to ensure timely and complete dissemination of appropriate information. The OIG continuously looks for opportunities for improving our security, performance, and productivity with cost-effective computer equipment and software.

Working Relationships: The IG Act, as amended, makes the OIG responsible for keeping both the FDIC Chairman and the Congress fully and currently informed about problems and deficiencies relating to FDIC programs and operations. This dual reporting responsibility is the framework within which IGs perform their functions, and serves as a legislative safety net that protects the OIG's independence and objectivity.

The OIG places a high priority on maintaining positive working relationships with the Chairman, other FDIC Board members, and FDIC officials. The OIG regularly communicates with the Chairman and Vice Chairman through briefings about ongoing and completed audits, evaluations, and investigations. The OIG is a regular participant at Audit Committee meetings where recently issued audit and evaluation reports are discussed. Other meetings occur throughout the year as OIG officials meet with division and office leaders and attend/participate in internal FDIC conferences.

The OIG also places a high priority on maintaining positive relationships with the Congress and providing timely, complete, and high quality responses to congressional inquiries. In most instances, this communication would include semiannual reports to the Congress, letters for reporting serious problems, issued audit and evaluation reports, information related to completed investigations, comments on legislation and regulations, written statements for congressional hearings, contacts with congressional staff, responses to congressional correspondence, and materials related to OIG appropriations.

The IGs appointed by the President and confirmed by the Senate are members of the PCIE. Historically, the FDIC OIG has fully supported and participated in PCIE activities, and will continue to do so in a number of ways in 2008. This organization

- addresses integrity, economy, and effectiveness issues that transcend individual Government agencies; and
- increases the professionalism and effectiveness of OIG personnel throughout the Government.

The OIG also fully supports activities of OIGs who are members of the Executive Council on Integrity and Efficiency.

Additionally, the OIG meets with representatives of the Government Accountability Office (GAO) to coordinate work and minimize duplication of effort. The OIG also meets with representatives of the Department of Justice, including the FBI and U.S. Attorneys' Offices, to coordinate our criminal

investigative work and pursue matters of mutual interest. Regular meetings are held with the financial regulatory OIGs and other groups where the OIG has similar business interests.

An Employee Advisory Group, made up of elected and/or appointed OIG staff, meets regularly and communicates employee views to the Inspector General on a wide variety of issues in a non-threatening environment. A Diversity Coordinator also helps promote corporate diversity initiatives in our workplace.

OIG Planning, Budgeting, and Reporting:

The FDIC OIG has its own strategic and annual planning processes independent of the Corporation's planning process, in keeping with the independent nature of the OIG's core mission. The Government Performance and Results Act of 1993 (GPRA) was enacted to improve the management, effectiveness, and accountability of federal programs. GPRA requires most federal agencies, including the FDIC, to develop a strategic plan that broadly defines the agency's mission and vision, an annual performance plan that translates the vision and goals of the strategic plan into measurable objectives, and an annual performance report that compares actual results against planned goals.

The OIG strongly supports GPRA and is fully committed to applying its principles of strategic planning and performance measurement and reporting to our operations. The OIG Strategic Plan and Annual Performance Plan, as presented in this Business Plan, lay the basic foundation for establishing goals, measuring performance, and reporting accomplishments consistent with the principles and concepts of GPRA. In the upcoming year, we will seek to

better integrate risk management considerations in all aspects of OIG planning—both with respect to external and internal work.

In that connection, the OIG recognizes that internal controls and systems are important components in the design and implementation of practices for accomplishing strategic and performance goals. Consequently, continuous assessments of risks and the internal controls in place to manage the risks are part of the OIG's business strategies.

Unlike the FDIC, which reports on a calendar year basis, the OIG receives a separate appropriation based on the typical government fiscal year ending September 30. Therefore, our performance planning and reporting is done on a September 30 fiscal year cycle. The fiscal year cycle is also consistent with the semiannual reporting periods prescribed by the IG Act.

2008 Performance Goals: To build and sustain a high-quality staff, effective operations, OIG independence, and mutually beneficial working relationships, the OIG will

- Effectively and efficiently manage OIG human, financial, IT, and physical resources
- Ensure quality and efficiency of OIG audits, evaluations, investigations, and other projects and operations
- Encourage individual growth and strengthen human capital management and leadership through professional development and training
- Foster good client, stakeholder, and staff relationships
- Enhance OIG risk management activities

2008 Performance Goal 6.1:
Effectively and efficiently manage OIG human, financial, IT, and physical resources.

Key Efforts and Potential Benefits

Key Effort	Potential Benefits
<p>1. Review management of the OIG’s corporate credit card.</p>	<ul style="list-style-type: none"> ▪ Facilitate appropriate purchases in a more timely and efficient manner.
<p>2. Determine the extent to which the OIG’s succession planning program identifies and addresses OIG key competencies and future critical skill sets, staffing, and leadership needs and identify opportunities for strengthening the program.</p>	<ul style="list-style-type: none"> ▪ Assurance of leadership continuity and organizational stability. ▪ Identification of gaps in mission critical skills, competencies, and knowledge. ▪ More effective training and leadership development programs. ▪ Enhanced managerial and executive talent level and skills. ▪ Retention of valued staff.
<p>3. Document IG-specific personnel, financial, and information technology processes.</p>	<ul style="list-style-type: none"> ▪ Ensure consistency in operations and compliance with applicable policies and procedures. ▪ Efficient transition when an employee leaves the OIG so new staff will be able to continue with the assignments in an orderly fashion. ▪ Ability of employees to stand in for one another when necessary. ▪ Identification of possibilities to streamline current OM processes.
<p>4. Strengthen the OIG’s records management program</p>	<ul style="list-style-type: none"> ▪ Enhanced and updated program and policy that provides for a records management process that is consistent with the corporate program, OIG needs, and our organizational structure. ▪ Identification of OIG records eligible for off-site storage or destruction. ▪ Improved protection of records from inappropriate and unauthorized access. ▪ Increased ability to respond to civil and criminal discovery requests.

Key Effort	Potential Benefits
<p>5. Strengthen the OIG's Information Security Management (ISM) Program, including review of OIG shared network folders.</p>	<ul style="list-style-type: none"> ▪ Improved consistency and standardization in the OIG's use of network shared folders. ▪ Compliance with FDIC's policy on protecting sensitive information (FDIC Circular 1360.9). ▪ Enhanced protection and security of OIG sensitive and personally identifiable information. ▪ Reduced risk of loss, misuse, or unauthorized access to or modification of OIG sensitive information which could adversely impact the OIG in carrying out its mission.
<p>6. Explore opportunities to leverage the resources of OI's Electronic Crimes Lab and Office of Audits' (OA) computer lab, staffs, equipment, and the resources of IT staff in the Office of Management.</p>	<ul style="list-style-type: none"> ▪ Better understanding of various roles/responsibilities/capabilities of OIG IT staff in our component offices. ▪ More effective use/leveraging of the OIG's IT staff and related resources to accomplish OIG goals.
<p>7. Align the OI field structure with that of the FDIC, particularly DSC, by staffing additional field sites with OIG investigators.</p>	<ul style="list-style-type: none"> ▪ Improved coordination with FDIC field offices and the development of cases that benefit the public, the industry and the FDIC in all of the FDIC's regions. ▪ Improved efficiencies in addressing a geographically dispersed workload.

2008 Performance Goal 6.2:
Ensure quality and efficiency of OIG audits, evaluations, investigations, and other projects and operations.

Key Efforts and Potential Benefits

Key Effort	Potential Benefits
<p>1. Office of Evaluations' (OE) Procedures Review and Update Project.</p>	<ul style="list-style-type: none"> ▪ Procedures to reflect current operations of OE. ▪ More efficient, effective means for conducting assignments and reporting results. ▪ Continuous transition to a management-request driven unit.

Key Effort	Potential Benefits
<p>2. Administration of expert services contract.</p>	<ul style="list-style-type: none"> ▪ Ensure best use of expert services contract resources. ▪ Enhanced expertise for specific OIG audits, evaluations, and other projects. ▪ Ability to address more complex and technical FDIC risks, issues, and challenges. ▪ More efficient and higher quality audits and evaluations.
<p>3. Research and pursue methodologies to ensure secure communications with the Department of Justice.</p>	<ul style="list-style-type: none"> ▪ Assurance that OIG communications with law enforcement partners are properly secure.
<p>4. Continue to conduct internal quality reviews of OA, OE, and OI offices for compliance with OA, OE, and OI policies and applicable standards.</p>	<ul style="list-style-type: none"> ▪ Enhanced quality and effectiveness of OIG products and processes.

2008 Performance Goal 6.3:
Encourage individual growth and strengthen human capital management and leadership through professional development and training.

Key Efforts and Potential Benefits

Key Effort	Potential Benefits
<p>1. Continue the OIG’s mentoring program, in conjunction with the corporate program, and explore ways of enriching the OIG’s program.</p>	<ul style="list-style-type: none"> ▪ Enhanced mentorees’ professional growth and development and understanding of the OIG. ▪ Opportunities for more experienced OIG staff to share/pass along workplace experiences and knowledge.
<p>2. Continue to support OIG staff who enroll in banking schools or are pursuing certifications or advanced degrees.</p>	<ul style="list-style-type: none"> ▪ Enhanced OIG knowledge and understanding of the banking industry and increased OIG professional expertise.

2007 Performance Goal 6.4: *Foster good client, stakeholder, and staff relationships.*

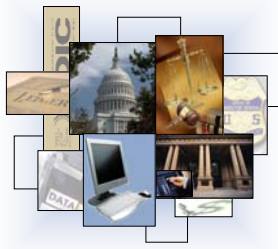
Key Efforts and Potential Benefits

Key Effort	Potential Benefits
<p>1. Continue practice of convening an Employee Advisory Group comprised of non-managerial staff from OIG headquarters and field office locations.</p>	<ul style="list-style-type: none"> ▪ Provide a voice to non-managerial OIG employees. ▪ Enhance employee morale. ▪ Bring issues of employee concern to IG's attention. ▪ Promote communications between headquarters and field sites/staff.
<p>2. Continue OIG practice of informing OIG staff of corporate diversity events, participating in such events, and contributing to the FDIC's annual report of diversity activities.</p>	<ul style="list-style-type: none"> ▪ Heightened awareness of diversity in the workplace. ▪ Enhanced working relationships with FDIC colleagues and other stakeholders.
<p>3. Support IG Community efforts by actively participating in meetings, training forums, cross-cutting initiatives, and special projects.</p>	<ul style="list-style-type: none"> ▪ Opportunity to serve and support the IG community at large. ▪ Opportunity to share best practices with others. ▪ Opportunity to learn from experiences of other OIGs. ▪ Opportunity to engage others in the FDIC OIG on special projects, with learning opportunities.
<p>4. Continue the OIG's practice of monitoring congressional interest in FDIC business lines and coordinating with FDIC counterparts on congressional issues. Emphasize increased communications with congressional clients to keep them fully and currently informed about OIG work and issues relating to FDIC programs and operations.</p>	<ul style="list-style-type: none"> ▪ Improved communications and working relationships with OIG clients and stakeholders. ▪ Increased awareness as to the financial regulatory issues that the Congress oversees. ▪ Opportunity to provide value toward OIG assignment scoping, planning, and products by contributing congressional perspective. ▪ Increased interest in OIG products. ▪ Increased interaction and dialogue with congressional staff.

2008 Performance Goal 6.5:
Enhance OIG risk management activities.

Key Efforts and Potential Benefits

Key Effort	Potential Benefits
<p>1. Strengthen OIG enterprise risk management, including:</p> <ul style="list-style-type: none"> ■ Implementing OIG control activities ■ Developing a more risk-based approach to planning all OIG projects ■ Organizing informational briefings/meetings for OIG senior staff/managers to better understand key FDIC processes and related risks ■ Establishing quarterly meetings as part of Sr. Staff Meetings to discuss any emerging risks and assess OIG progress in achieving Mission/Vision/Goals and budget implications of doing so. 	<ul style="list-style-type: none"> ■ Establishment of an OIG Enterprise Risk Management Program for identifying and evaluating management controls and activities within our strategic framework. ■ Enhanced justification and support for the OIG’s annual assurance statement on management controls. ■ Increased management awareness of its ongoing responsibilities for monitoring and evaluating controls. ■ A clearer understanding of the risks that could impact the OIG and how these risks may be managed. ■ Greater assurance that OIG resources are focused on doing the right work ■ More real-time means of keeping projects and OIG spending on track. ■ Opportunity to better integrate budget and performance.



Quantitative Performance Measures and Targets

The table below presents our FY 2008 targets for our quantitative performance measures. The table also reflects our performance during the last three fiscal years for these measures, where available. To establish targets for these measures, we examined what we have been able to achieve in the past and the external factors that influence our work, such as budgetary resources and staffing levels.

OIG staffing and budgets, after adjusting for inflation, have continuously decreased during the past decade in response to changes in the banking industry and the FDIC. Consequently, some performance targets may be lower than previous years' actual accomplishments to reflect the reduced work and staffing.

OIG Quantitative Performance Measures and Targets

Performance Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Target
Financial Benefit Return ¹	155%	196%	454%	100%
Other Benefits ²	N/A	107	131	100
Past Recommendations Implemented ³	N/A	87%	96%	95%
Audit Reports Issued (includes Evaluation reports issued in FY 2005-2007)	40	26	23	20
Evaluation Reports Issued	N/A	N/A	N/A	10
Audit Assignments Completed Within 30 days of Established Final Report Milestone	N/A	N/A	50%	90%
Evaluation Assignments Completed Within 30 days of Established Final Report Milestone	N/A	N/A	50%	90%
Audit Assignments Completed Within 15 Percent of Established Budget	N/A	N/A	N/A	90%
Evaluation Assignments Completed Within 15 Percent of Established Budget	N/A	N/A	N/A	90%
Investigation Actions ⁴	132	169	216	120
Closed Investigations Resulting in Reports to Management, Convictions, Civil Actions, or Administrative Actions	84%	84%	78%	80%

¹ Includes all financial benefits, including audit-related questioned costs; recommendations for better use of funds; and investigative fines, restitution, settlements, and other monetary recoveries divided by OIG's total fiscal year budget obligations.

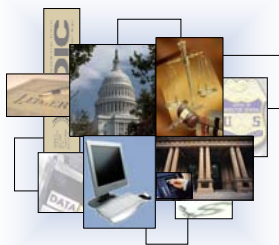
² Benefits to the FDIC that cannot be estimated in dollar terms which result in improved services; statutes, regulations, or policies; or business operations and occurring as a result of work that the OIG has completed over the past several years. Includes outcomes from implementation of OIG audit/evaluation recommendations.

³ Fiscal year 2006 recommendations implemented by fiscal year-end 2008.

⁴ Indictments, convictions, informations, arrests, pre-trial diversions, criminal non-monetary sentencing, monetary actions, employee actions, and other administrative actions.

OIG Quantitative Performance Measures and Targets

Performance Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Target
Investigations Accepted for Prosecution Resulting in Convictions, Pleas, and/or Settlements	80%	67%	66%	70%
Investigations Referred for Prosecution or Closed Within 6 Months of Opening Case	N/A	N/A	93%	85%
Closing Reports Issued to Management within 30 days of Completion of all Judicial Actions	N/A	N/A	92%	100%

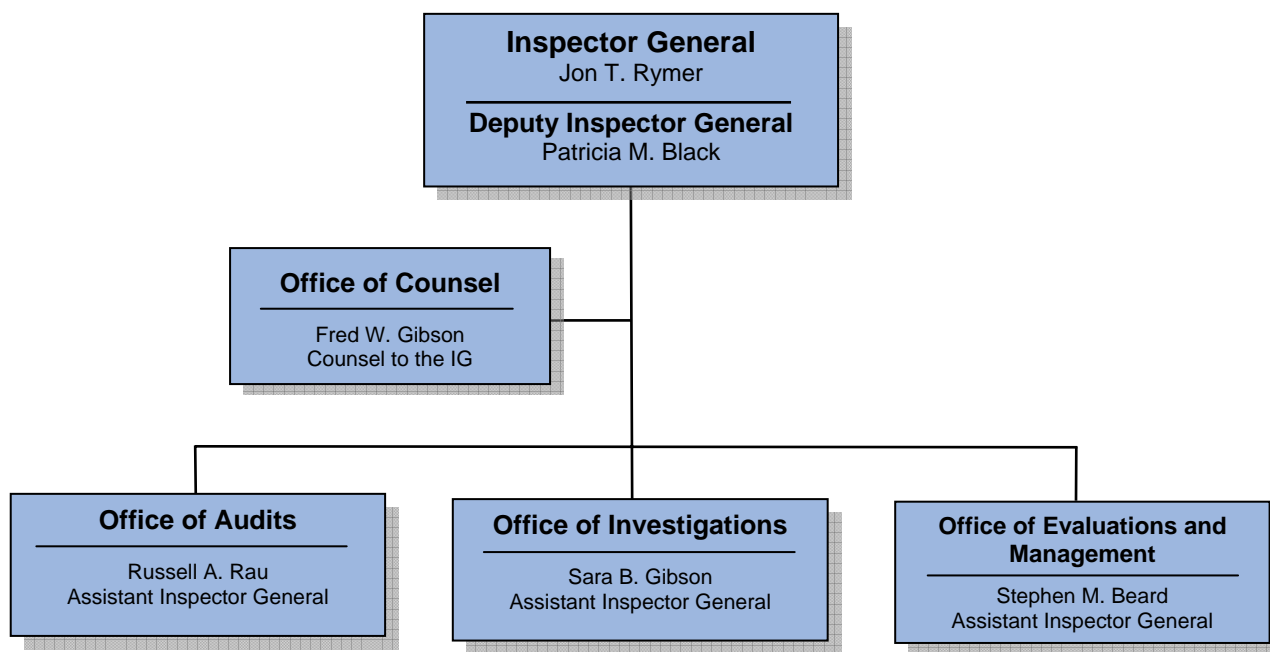


APPENDIX I

OIG Organization Structure

The FDIC OIG is comprised of five component offices as shown below. A brief description of the duties and responsibilities of each office is also shown.

OIG Organization Chart



Office of Audits

The Office of Audits provides the FDIC with professional audit and related services covering the full range of its statutory and regulatory responsibility, including major programs and activities. These audits are designed to promote economy, efficiency, and effectiveness and to prevent fraud, waste, and abuse in corporate programs and operations. This office ensures the compliance of all OIG audit work with applicable audit standards, including those

established by the Comptroller General of the United States. It may also conduct external peer reviews of other OIG offices, according to the cycle established by the PCIE.

The Office of Audits is organized into two primary Directorates: (1) Insurance, Supervision, and Receivership Management Audits and (2) Systems Management and Security Audits.

Office of Evaluations and Management

The Office of Evaluations evaluates, reviews, studies, or analyzes FDIC programs and activities to provide independent, objective information to facilitate FDIC management decision-making and improve operations. Evaluation projects are conducted in accordance with the *PCIE Quality Standards for Inspections*. Evaluation projects are generally limited in scope and may be requested by the FDIC Board of Directors, FDIC management, or the Congress.

The Office of Management is the management operations arm of the OIG with responsibility for providing business support for the OIG, including financial resources, human resources, and IT support; strategic planning and performance measurement; internal controls; coordination of OIG reviews of FDIC proposed policy and directives; and OIG policy development.

Office of Investigations

The Office of Investigations (OI) carries out a comprehensive nationwide program for the prevention, detection, and investigation of criminal or otherwise prohibited activity that may harm or threaten to harm the operations or integrity of the FDIC and its programs. OI maintains close and continuous working relationships with the U.S. Department of Justice; the Federal Bureau of Investigation; other Offices of Inspector General; and federal, state and local law enforcement agencies. OI coordinates closely with the FDIC's Division of Supervision and Consumer Protection in investigating fraud at financial institutions, and collaborates with the Division of Resolutions and Receiverships and the Legal Division in

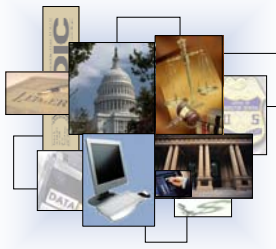
investigations involving failed institutions and fraud by FDIC debtors.

In addition to its headquarters and regional presence, OI operates an Electronic Crimes Unit and forensic laboratory in Washington, D.C. The Electronic Crimes Unit is responsible for conducting computer-related investigations impacting the FDIC and providing computer forensic support to OI investigations nationwide. OI also manages the OIG Hotline for employees, contractors, and others to report instances of suspected fraud, waste, abuse, and mismanagement within the FDIC and its contractor operations via a toll-free number or e-mail.

Office of Counsel

The Office of Counsel to the Inspector General is responsible for providing independent legal services to the Inspector General and the managers and staff of the OIG. Its primary function is to provide legal advice and counseling and interpret the authorities of, and laws related to, the OIG. The Counsel's Office also provides legal research and opinions; reviews audit, evaluation, and investigative reports for legal considerations; represents the OIG in personnel-related cases; coordinates the OIG's responses to requests and appeals made

pursuant to the Freedom of Information Act and the Privacy Act; prepares Inspector General subpoenas for issuance; and reviews draft FDIC regulations and draft FDIC and OIG policies and proposed or existing legislation, and prepares comments when warranted; and coordinates with the FDIC Legal Division when necessary. The Counsel's Office also handles the OIG's congressional relations activities.



APPENDIX II

External Factors

The following table briefly describes the external factors that could affect the achievement of the strategic and performance goals in this plan.

External Factor	Description
Budget	The OIG receives an annual appropriation from the Congress under Section 1105(a) of Title 31, United States Code. Our ability to accomplish our strategic and annual goals is dependent upon adequate funding through this appropriations process.
External Requests	Periodically, the OIG receives requests for work from members of Congress or FDIC officials. These requests may require greater priority than work we have planned for in our strategic and annual performance plan and could result in a reallocation of resources.
Number of Bank Failures	In the last few years, the economy has been strong and banks have prospered. The rate of bank and thrift failures has remained at a relatively low level over the past 10 years. However, business cycles can change and a large number of bank failures could increase the OIG's workload and result in the diversion of resources from planned activities to bank resolution activities.
Emerging Technology	Emerging technology has introduced new ways for banks to offer traditional products and services to their customers. With technological advancements, there is increased risk that fraud and other inappropriate activity may occur. A reallocation of OIG resources could be needed to ensure that such risks are appropriately addressed.
Changes in Financial Services Industry	Over the past 20 years, unprecedented changes have taken place in the financial services industry that have significantly changed and shaped the environment in which the FDIC and the other financial regulatory agencies operate. More major changes may be in store in the coming years. The OIG will monitor these and other emerging issues and risks as they develop to ensure they are appropriately addressed. This may require a reallocation of our resources and workload.



APPENDIX III

Program Evaluations

The following table briefly describes the program evaluations, studies, and other assessments used to review and revise our strategic and performance goals.

	Description
Management and Performance Challenges	<p>In the spirit of the Reports Consolidation Act, the OIG annually identifies the most significant management and performance challenges (MPCs) facing the Corporation. The OIG identified the following MPCs for 2007.</p> <ul style="list-style-type: none"> ▪ Identifying and mitigating risks to the insurance fund; ▪ Ensuring institution safety and soundness through effective examinations, enforcement, and follow-up; ▪ Contributing to public confidence in insured depository institutions; ▪ Protecting and educating consumers and ensuring compliance through effective examinations, enforcement, and follow-up; ▪ Being ready for potential institution failures; and ▪ Promoting sound governance and managing and protecting human, financial, information technology, physical, and procurement resources.
Audit and Evaluation Assignment Plans	Describe audit and evaluation projects to be started during the year. The plans are linked to FDIC program goals and consider the OIG's identification of MPCs. Input is solicited from senior FDIC management, members of the FDIC Audit Committee, and others.
Client Meetings	Meetings were held throughout FY 2007 with top management of FDIC divisions to discuss potential OIG work of strategic importance.
OIG Workforce Data	Provides data on OIG workforce to aid in business planning, staffing decisions, budget planning, and succession management.
Internal Quality Assurance Reviews	Reviews conducted by the OIG of our internal operations.
External Peer Reviews	Evaluation conducted of the OIG's audit operations by the Department of State OIG in 2007.
Internal Control Reviews	Assessments of OIG internal controls conducted by the OIG under the Corporation's Internal Control and Risk Management Program.



APPENDIX IV

Verification and Validation of Performance Data

The following table describes the sources for our performance data and how the data will be verified and validated.

Data Source	Description
System for Tracking Audits and Reports (STAR)	STAR tracks information on audit and evaluation assignments, reports, recommendations, time, and independent public accountant assistance, and provides managers with reports on those activities. STAR is used to generate performance measurement data reported in our annual performance reports as well as provide statistics for the OIG’s Semiannual Report to the Congress. The data and related reports are analyzed by OIG staff for accuracy, reasonableness, and completeness. In addition, other controls such as edit checks and supervisory review of data input are used to ensure the validity and integrity of the performance data and reports.
Investigations Database System (IDS)	IDS was designed specifically, in part, to more accurately track the measures and goals we have established under the strategic and annual performance plans. The Web-based system tracks information on investigative cases opened and closed; fines, restitution, and other monetary recoveries; and judicial and administrative actions. We also have an inspection regimen set up to closely monitor the activities of our investigative offices and to ensure the accuracy of data entered into the database.
OIG Strategic Information Dashboard (Dashboard)	The Dashboard is an information system designed to improve the efficiency of OIG management oversight of internal activities and operations. It provides OIG executives and staff with up-to-date information on the status of the OIG’s annual performance goals and key efforts, quantitative performance measures and indicators, and budget and staffing data.



Appendix V

FY 2008 Planned Audits

Below is a list of the planned OIG audits for FY 2008. A description of each audit is provided on the following pages.

1	Material Loss Reviews
2	CAMELS Ratings Process
3	FDIC Policies and Procedures for Assessing Interest Rate Risk
4	The FDIC's Process for Ensuring Financial Institutions Address Risks Associated with Nontraditional Mortgage Products
5	FDIC Activities Addressing Liquidity Risks
6	Investment Policies
7	Off-site Monitoring for Insurance Risk
8	The FDIC's Receipt and Assessment of Savings Association Subsidiary Notices
9	Collection of Deposit Insurance Assessments
10	Consumer Credit Underwriting Practices in Community Banks
11	FDIC Supervision of Financial Institution Compliance with the Real Estate Settlement Procedures Act
12	FDIC Benefits Contracts
13	Contract Oversight Management of Infrastructure Services Contract
14	Supervisory Information on Insured Institutions
15	Federal Information Security Management Act Evaluation - 2008
16	Consolidated Appropriations Act, Section 522 Compliance
17	General Ledger Accounting Processes
18	Financial Reporting Through the Government-wide Financial Report System
19	Purchase Card Program
20	International Travel

The following ongoing audit assignments will carry over to FY 2008:

- FDIC's Assessment of Commercial Real Estate Concentration Risk
- The Division of Supervision and Consumer Protection's (DSC) Examination Assessment of Interest Rate Risk
- FDIC's Oversight of Subprime Credit Card Lending
- FDIC's Implementation of the USA PATRIOT Act
- Examination Procedures for Assessing Controls to Protect Customer and Consumer Information at Multi-regional Data Processing Servicers
- Implementation of the FDIC's Supervisory Guidance for Nontraditional Mortgage Products
- FDIC Laptop Computer Replacement

Strategic Goal 1: Assist the FDIC to Ensure the Nation's Banks Operate Safely and Soundly

1. Material Loss Reviews

The OIG of the respective primary federal regulator is required by the FDIC Improvement Act of 1991 (FDICIA) to perform a material loss review and report on failures of insured depository institutions resulting in losses to the deposit insurance fund which exceed the greater of \$25 million or 2 percent of the institution's assets. material loss reviews must be completed within 6 months from the time it is determined that a failure or payment of financial assistance will result in a material loss to the insurance fund.

To maintain staff expertise and skills for material loss reviews, the IG may elect to conduct reviews of institutions losses that do not meet the materiality threshold established in the statute. These smaller losses may still identify potential improvements in the FDIC's supervision program.

The audit objectives, as required by FDICIA and incorporated into the FDI Act, section 38, are to determine (1) the causes for a material loss to a deposit insurance fund caused by an FDIC-supervised institution and (2) the adequacy of the FDIC's supervision of the institution, including implementation of Prompt Corrective Action requirements.

Benefits/Potential Outcomes: Improved supervision program for identifying and addressing unsafe and unsound banking practices to reduce or eliminate losses associated with institution failures.

2. CAMELS Ratings Process

The Uniform Financial Institutions Rating System (UFIRS) was adopted by the Federal Financial Institutions Examination Council (FFIEC) on November 13, 1979. Under the UFIRS, each financial institution is assigned a composite rating by a federal or state banking agency based on an evaluation and rating of six essential components of an institution's financial condition and operations. These component factors address the adequacy of **C**apital, the quality of **A**ssets, the capability of **M**anagement, the quality and level of **E**arnings, the adequacy of **L**iquidity, and the **S**ensitivity to market risk (otherwise known as CAMELS).

The banking agencies assign composite and component ratings based on the results of periodic risk-management examinations. The composite rating generally bears a close relationship to the component ratings assigned. Assigned composite and component ratings are disclosed to the institution's board of directors and senior management, but are not available to the public. The CAMELS are used as a supervisory tool for evaluating the soundness of financial institutions on a uniform basis and for identifying those institutions requiring special attention or concern.

The audit objective is to determine the extent to which the FDIC has established controls to ensure uniformity in the CAMELS ratings process.

Benefits/Potential Outcomes: Assurance that controls have been established and are functioning to ensure uniformity in the CAMELS ratings process.

3. FDIC Policies and Procedures for Assessing Interest Rate Risk

Interest rate risk is the exposure of a bank's earnings and capital to changes in interest rates. Interest rate fluctuations can affect earnings by changing net interest income and other interest-sensitive income and expense levels. Interest rate changes can also affect capital by changing the net present value of a bank's future cash flows, potentially impairing the net portfolio's underlying value. Bank examiners' assessment of interest rate risk is summarized in an assigned risk rating for the component known as sensitivity to market risk, which is the "S" part of the CAMELS rating system. The sensitivity to market risk component rates the degree to which changes in interest rates, foreign exchange rates, commodity prices, or equity prices can adversely affect a financial institution's earnings or economic capital. For most institutions, market risk primarily reflects exposures to changes in interest rates. Bank examiners assess the level of interest rate risk exposure in light of a bank's size, the nature and complexity of its activities, levels of capital and earnings, and most importantly, the effectiveness of the bank's risk management processes. At the core of the interest rate risk examination process is a supervisory assessment of how well bank management identifies, measures, monitors, and controls market risk. Accepting interest rate risk is a normal part of banking and can be an important source of profitability and shareholder value. However, excessive interest rate risk can threaten banks' solvency.

This is the second of two assignments on interest rate risk. The first assignment is focused on examiner compliance with policies and procedures addressing interest rate risk and the consideration of related off-site information. The second assignment will look at the appropriateness of these policies and procedures, with the assistance of an outside expert.

The audit objective is to determine whether the FDIC has appropriate policies and procedures for assessing and addressing institutions' sensitivity to interest rate changes, including sufficient data collection and risk metrics.

Benefits/Potential Outcomes: Improved supervision program to identify, assess, and address interest rate risk.

4. The FDIC's Process for Ensuring Financial Institutions Address Risks Associated with Nontraditional Mortgage Products

The risks associated with loan terms and underwriting practices used for nontraditional mortgage products are outlined in interagency guidance issued in October 2006 and entitled, *Interagency Guidance on Nontraditional Mortgage Product Risks*. The federal financial institution regulatory agencies developed this guidance to assist financial institutions in managing the risks associated with the use of mortgage products that

allow borrowers to defer payment of principal and, sometimes, interest. These products include “interest-only” mortgages and “payment option” adjustable-rate mortgages, that are at times combined with home equity lines of credit.

The objective of this audit will be to assess examination coverage of loan terms and underwriting standards for nontraditional mortgage products at FDIC-supervised institutions.

Benefits/Potential Outcomes: The audit may identify opportunities to strengthen the FDIC’s examination practices related to nontraditional mortgage products.

5. FDIC Activities Addressing Liquidity Risks

Liquidity represents the ability to fund assets and meet obligations as they become due. Liquidity is essential in all banks to compensate for expected and unexpected balance sheet fluctuations and provide funds for growth. Liquidity risk is the risk of not being able to obtain funds at a reasonable price within a reasonable time period to meet obligations as they become due. Because liquidity is critical to the ongoing viability of any bank, liquidity management is among the most important activities that a bank conducts. The formality and sophistication of liquidity management depends on the size and sophistication of the bank, as well as the nature and complexity of its activities. Regardless of the bank, good management information systems, strong analysis of funding requirements under alternative scenarios, diversification of funding sources, and contingency planning are crucial elements of strong liquidity management.

Bank examiners’ assessment of liquidity is summarized in an assigned component risk rating, which is the “L” part of the CAMELS rating system. The liquidity component should be assigned in the context of other financial factors. Banks with very strong capital positions and earnings fundamentals are likely to be able to easily fund ongoing operations and have no difficulty raising liquidity for even unforeseen events. Conversely, banks with low levels of capital, weak earnings, or asset deterioration, may find financing to be more expensive or borrowing line maturities reduced. In evaluating the adequacy of a financial institution's liquidity position, consideration should be given to the current level and prospective sources of liquidity compared to funding needs, as well as to the adequacy of funds management practices relative to the institution's size, complexity, and risk profile. In general, funds management practices should ensure that an institution is able to maintain a level of liquidity sufficient to meet its financial obligations in a timely manner and to fulfill the legitimate banking needs of its community at a reasonable cost.

In the last year, liquidity concerns have been a major factor for problem institutions and institutions engaged in nontraditional mortgage lending. A shortage of funds can freeze payments, cause depositor runs, and lead to sudden bankruptcies. In addition, the FDIC Improvement Act of 1991 placed limits on funding sources for institutions with deteriorating capital levels, including restrictions on the use of brokered deposits and Federal Reserve bank advances.

The audit objective is to determine the extent to which the FDIC addresses institution liquidity risk through various regulatory and supervisory activities, including:

(1) institution and examination policies, procedures, and guidance; (2) examiner training; and (3) risk management examinations.

Benefits/Potential Outcomes: Improved supervision program to identify, assess, and address liquidity risks.

Strategic Goal 2: Help the FDIC Maintain the Viability of the Insurance Fund

6. Investment Policies

The Secretary of the Treasury requires the FDIC to invest its non-appropriated cash in U.S. Treasury obligations that are purchased or sold through the Bureau of Public Debt's Government Account Series Program. As of December 31, 2006, the book value of investments in U.S. Treasury obligations, net, was \$46.1 billion. The FDIC seeks to maximize its return on such investments, subject to liquidity considerations. The FDIC considers liquidity requirements and current and prospective market conditions, including U.S. Treasury yields, when developing quarterly investment strategies. In our audit of *The FDIC's Investment Policies* (Report No. 05-025, dated July 14, 2005), we recommended, and the FDIC Chairman agreed, that the FDIC should retain outside experts to conduct periodic, independent reviews of the Corporation's investment program. Such reviews should take place every 3 years and include consideration of the investment policies applicable to the National Liquidation Fund.

The audit objective is to determine whether the FDIC's Deposit Insurance Fund investments and its National Liquidation Fund investments are meeting their objectives related to return, volatility, and liquidity, while maintaining adequate controls over the investment process.

Benefits/Potential Outcomes: The audit may identify opportunities to strengthen the FDIC's investment management practices related to the Deposit Insurance Fund.

7. Off-site Monitoring for Insurance Risk

The primary purpose of the Off-site Review Program is to ensure that institutions receive appropriate supervisory follow-up. The Off-site Review Program is designed to identify emerging supervisory concerns and potential problems so that supervisory strategies can be appropriately adjusted. Off-site Reviews are performed quarterly for each bank that appears on the Off-site Review List (ORL). Regional management is responsible for implementing procedures to ensure that Off-site Review findings are factored into examination schedules and other supervisory activities. The ORL is generated after Call Report data is updated each quarter. Banks are selected for review based on the following:

- Statistical CAMELS Off-site Rating (SCOR)⁵ and SCOR-Lag.⁶ The ORL includes those 1- and 2-rated institutions identified by SCOR or SCOR-Lag as having a 35 percent or higher probability of a downgrade to 3 or worse. The bank must have filed four or more consecutive Call Reports or Thrift Financial Reports.
- Growth Monitoring System (GMS).⁷ The ORL includes institutions with a composite rating of 1 or 2 and in the 98th or 99th GMS growth percentile. The bank must have filed five or more consecutive Call Reports or Thrift Financial Reports. The model excludes de novo institutions; however, the regions are encouraged to perform additional off-site activity for de novo and other high-growth institutions.
- Manual Selection. The ORL includes institutions that were added for review by the Regions.

Each institution on the ORL must have an Off-site Review. The Tracking Section within ViSION documents the reviewer's findings and supervisory strategy. In particular, the reviews identify which of the following eight risk measures are applicable to the institution (a risk flag is assigned to an identified/applicable risk measure):

- SCOR,
- SCOR-Lag,
- Real Estate Stress Test (REST),⁸
- GMS,
- Consistent Grower,
- Quarterly Lending Alert,
- Young Institutions, and
- Multiflag.

Based on the information available during the review, the reviewer assigns a level of risk as Low, Medium, or High. The reviewer must provide supporting comments for those institutions with a risk level of "Medium" or "High." The reviewer must also designate the risk trend as Decreasing, Stable, or Increasing. In addition, the reviewers are required to document their actions during the review as well as their suggested follow-up actions. If the Off-site Review indicates that the institution poses a greater

⁵ SCOR is a financial model that uses statistical techniques, off-site data, and historical examination results to assign an off-site CAMELS rating and to measure the likelihood that an institution will receive a CAMELS downgrade at the next examination.

⁶ SCOR-Lag is a derivation of SCOR that attempts to more accurately assess financial condition in rapidly growing banks. SCOR-Lag begins with current period SCOR data and then adjusts the asset quality ratios by a 1-year lag.

⁷ GMS is an off-site rating tool that identifies institutions experiencing rapid growth and/or having a funding structure highly dependent on non-core funding sources. Using statistical techniques, GMS analyzes financial ratios and changes in volume to identify banks that have experienced rapid growth and assigns a percentile ranking between 1 and 99.

⁸ REST attempts to simulate what would happen to banks today if they encountered a real estate crisis similar to that of New England in the early 1990s. REST uses statistical techniques and Call Report data to forecast an institution's condition over a 3- to 5-year horizon and provides a single rating from 1 to 5 in descending order of performance quality.

risk to the insurance fund than indicated by the composite rating, a rating change should be initiated.

The audit objective is to determine whether DSC makes appropriate use of SCOR, GMS, and REST data for off-site monitoring purposes and takes appropriate action to follow up on significant concerns in a timely manner.

Benefits/Potential Outcomes: Provide assurance that the FDIC is making effective use of Call Report data for off-site monitoring of insurance risks.

8. The FDIC's Receipt and Assessment of Savings Association Subsidiary Notices

As the deposit insurer for approximately 8,600 financial institutions, the FDIC is responsible for monitoring the risks these institutions pose to the Deposit Insurance Fund. For about 5,200 of these institutions, the FDIC is the primary federal regulator and conducts periodic onsite risk management examinations to assess insurance risk in coordination with state supervisors. For the other 3,400 institutions, the FDIC monitors its insurance risk through its review of information and reports provided by the federal and state banking supervisors, analysis of quarterly Call Reports and other available off-site data, and the review of applications and notices submitted by insured institutions.

For over 800 federal and state chartered insured savings associations supervised by the Office of Thrift Supervision (OTS), section 18(m) of the FDI Act requires each of these savings associations to notify the FDIC and the OTS not less than 30 days prior to the establishment or acquisition of a subsidiary, or the start of any new activity through a subsidiary that the savings association controls. With respect to any subsidiary of an insured savings association, the FDIC and the OTS each has enforcement powers pursuant to sections 8 and 18 of the FDI Act.

The audit objective is to determine whether there are controls in place to ensure that the FDIC (1) receives savings association subsidiary notices in a timely manner and (2) reviews these notices to assess possible risks posed to the Deposit Insurance Fund.

Benefits/Potential Outcomes: Improved assessment and mitigation of risks posed to the Deposit Insurance Fund from activities conducted by savings association subsidiaries.

9. Collection of Deposit Insurance Assessments

On February 8, 2006, the President signed the Federal Deposit Insurance Reform Act of 2005 (Reform Act) into law. The Federal Deposit Insurance Reform Conforming Amendments Act of 2005 which the President signed into law on February 15, 2006, contains necessary technical and conforming changes to implement deposit insurance reform, as well as a number of study and survey requirements. The FDIC's Board of Directors has adopted the following final rules implementing the Reform Act:

- (1) Inflation Index; Certain Retirement Accounts and Employee Benefit Plan Accounts;
- (2) One-time Assessment Credit; (3) Assessment Dividends; (4) Operational Processes

Governing the FDIC's Deposit Insurance Assessment System; (5) Risk-Based Assessment System; (6) Designated Reserve Ratio; (7) Official FDIC Sign and Advertising of the FDIC Membership; and (8) Proposed Guidelines on Adjustments to Large Institution Assessment Rates.

According to FDIC's Rules and Regulations, deposit insurance assessments are collected after each quarterly period being insured. The FDIC Board of Directors sets assessment rates for each risk category. The FDIC makes available to each insured depository institution, via the FDIC's secure e-business Web site, FDICconnect, a quarterly certified statement invoice for each assessment period. The first invoices were made available in June 2007 and payment was required within 15 days. The quarterly certified statement invoice reflects the institution's risk assignment to a risk category, assessment base, assessment computation, and assessment amount. Each institution is required to review the quarterly certified statement invoice and, if it agrees that the invoice is true, correct, and complete, make payment. The FDIC Rules and Regulations also provide procedures for institutions to use in the event there is disagreement with the invoice. Assessment revenue is estimated to grow from about \$650 million in 2007 to over \$2.4 billion in 2008. This increase in revenue, in part, recognizes the use of assessment credits provided to certain institutions. In 2007, assessment credits used are estimated to be about \$3 billion but decline to \$1.5 billion in 2008.

The audit objective is to determine whether the FDIC has established and implemented effective controls to ensure compliance with the statutory and regulatory requirements related to invoicing and collection of deposit insurance assessments.

Benefits/Potential Outcomes: Assurance that a sound internal control structure is in place for collection of deposit insurance assessments.

Strategic Goal 3: Assist the FDIC to Protect Consumer Rights and Ensure Customer Data Security and Privacy

10. Consumer Credit Underwriting Practices in Community Banks

Financial institutions must consider multiple sources of information in underwriting consumer credit, including sources of payment, credit bureau scores, and the value of collateral, if applicable. Few institutions have an automated underwriting system which is used exclusively to make the credit decision. Some level of human review is usually present to provide the flexibility needed to address individual circumstances. For community banks, in particular, much of this process is performed manually, which can lead to inconsistencies and errors in underwriting.

Manual steps in the underwriting process may include verification of income, consideration of any guarantees, appraisals of collateral, and consideration of consumer credit history. Institutions typically establish a minimum cut-off score below which applicants are denied and a second cutoff score above which applicants are approved. However, there is usually a range, or "gray area," in between the two cut-off scores where credits are manually reviewed and credit decisions are judgmentally determined.

To ensure these processes are reliable, bank management should have a system of controls in place that includes written policies and procedures, employee training, adequate levels of supervision, and periodic internal audit coverage.

As a further precaution, institutions that rely on credit bureau scores as part of the credit underwriting process should sample and compare credit bureau reports to determine which credit bureau most effectively captures data for the market(s) in which the institution does business. For institutions that acquire credit from multiple regions, use of multiple scorecards may be appropriate, depending on apparent regional credit bureau strength. In some instances, it may be worthwhile for institutions to pull scores from each of the major credit bureaus and establish rules for selecting an average value. By tracking credit bureau scores over time and capturing performance data to differentiate which score seems to best indicate probable performance outcome, institutions can select the best score for any given market. Efforts to differentiate and select the best credit bureau score should be documented.

The audit objective is to assess the FDIC’s approach to assessing consumer credit underwriting practices in community banks.

Benefits/Potential Outcomes: Provide assurance that FDIC examiners are appropriately assessing credit underwriting practices for consumer lending.

11. **FDIC Supervision of Financial Institution Compliance with the Real Estate Settlement Procedures Act**

The Real Estate Settlement Procedures Act of 1974 (RESPA) is applicable to all federally-related mortgage loans, except for certain types of loans which are exempted. Congress determined that significant reforms in the real estate settlement process were needed to ensure that consumers were (1) provided greater and timely information on the nature and costs of the settlement process and (2) protected from unnecessarily high settlement charges caused by certain abusive practices. RESPA requires lenders, mortgage brokers, or servicers of home loans to provide borrowers with pertinent and timely disclosures regarding the nature and costs of the real estate settlement process. RESPA also protects borrowers against certain abusive practices, such as kickbacks, and places limitations upon the use of escrow accounts and is applicable to all federally-related mortgage loans, including refinances secured by a first or subordinate lien on residential real property.

Although overall authority for RESPA compliance and enforcement remains with the Department of Housing and Urban Development, the FDIC and other federal banking agencies examine financial institutions for compliance. Section 10(b) of the FDI Act provides the FDIC general authority to examine for RESPA compliance at FDIC-supervised financial institutions, and Section 8 provides general authority for enforcement. RESPA also provides specific authority to the FDIC to enforce compliance.

A review of RESPA compliance is important because of the:

- significant risk due to downturns in the residential real estate market, which could cause mortgage lenders to be more aggressive in their lending practices;
- anticipation of large restructuring and refinancing of nontraditional real estate loans in the near future; and
- need to determine whether financial institutions are providing adequate disclosure to make sure consumers understand the types of real estate loans they are obtaining.

The objective of this audit will be to assess FDIC supervision of financial institution compliance with key provisions of RESPA, as amended.

Benefits/Potential Outcomes: An assessment of (1) RESPA-related policies, procedures, and guidance for institutions and examinations; (2) examiner training on RESPA requirements; (3) examination planning and reporting; and (4) supervisory follow-up of RESPA deficiencies and violations.

Strategic Goal 5: Promote Sound Governance and Effective Stewardship and Security of Human, Financial, IT, and Physical Resources

12. FDIC Benefits Contracts

The FDIC negotiated certain “non-federal” employee benefits with the National Treasury Employees Union (NTEU) as part of the 2006-2009 Compensation Agreement. FDIC Choice, the Corporation’s Flexible Cafeteria Benefits Plan, describes these benefits. The FDIC has established agreements with benefits service providers to support its employee benefits program including, but not limited to, agreements with Metropolitan Life Insurance Company (“MetLife”) for Dental and Life insurance, VSP for Vision, and MyEnroll.com for online information about FDIC Choice programs. The audit will focus on the reasonableness of costs paid to benefits service providers and the efficiency and effectiveness of services provided.

The audit objective is to determine whether key FDIC service provider contracts provide for the efficient and effective delivery of benefit services to FDIC employees.

Benefits/Potential Outcomes: The audit may result in potential costs savings and efficiencies in the administration of the FDIC’s benefits contracts.

13. Contract Oversight Management of Infrastructure Services Contract

In early 2004, the FDIC entered into an Interagency Agreement with the General Services Administration (GSA) for IT support services. Under GSA's Federal Systems Integration Management Center (FEDSIM) Millennium contract, GSA issued the Infrastructure Services Contract to SRA International, Inc. (SRA) to provide IT goods

and services for the FDIC. SRA participates as one of the Millennia contractors. The 5-year, performance-based Infrastructure Services Contract has an estimated value of more than \$300 million over its life cycle. IT services and goods procured under the contract include program management, client and help desk support, data center operations and local area network administration, security operations and support, systems engineering and integrations, and IT equipment.

The objectives of the audit will be to assess (1) the FDIC's contract oversight management of SRA and its subcontractors, including subcontractor selection and performance, and (2) support for payments made by the FDIC for IT goods and services provided by SRA and its subcontractors.

Benefits/Potential Outcomes: We expect that the audit will identify opportunities for the FDIC to strengthen its contract oversight management practices related to SRA and its subcontractors. We also expect that the audit will provide the FDIC greater assurance that expenditures for IT services and goods are accurate, properly authorized, and supported with adequate documentation.

14. Supervisory Information on Insured Institutions

The FDIC's DSC has primary responsibility for conducting safety and soundness examinations of FDIC-supervised institutions to assess their overall financial condition, management practices and policies, and compliance with applicable laws and regulations, including consumer protection and fair lending laws. In addition, DSC is responsible for monitoring the condition of insured institutions supervised by other federal regulators, and may make rating changes, conduct special examinations, and take enforcement actions as needed. In fulfilling its responsibilities, DSC collects, maintains, and reports vast amounts of financial institution-related information. DSC has a number of information systems to support its business operations, which are used to monitor problem banks, develop regulatory policy, and conduct research and analysis on important banking issues. DSC also relies extensively on information technology to support its operations and manage its information.

The objective of the assignment will be to identify areas of potential risk associated with DSC's use of information technology to support its business operations.

Benefits/Potential Outcomes: The assignment may identify opportunities for DSC to achieve efficiencies and reduce risk in its use of information technology to support its business operations.

15. Federal Information Security Management Act

On December 17, 2002, the President signed into law H.R. 2458, *the E-Government Act of 2002* (Public Law 107-347). Title III of this act is the Federal Information Security Management Act of 2002 (FISMA). FISMA directs federal agencies, including the FDIC, to have an annual independent evaluation performed of their information security programs and practices and to report the results of the evaluation to the Office of Management and Budget (OMB). FISMA states that the independent evaluation is to be

performed by the agency Inspector General or an independent external auditor as determined by the Inspector General.

The audit objective is to evaluate the effectiveness of the FDIC's information security program and practices, including the FDIC's compliance with FISMA and related information security policies, procedures, standards, and guidelines.

Benefits/Potential Outcomes: The audit may identify information systems vulnerabilities and opportunities for the FDIC to strengthen its information security program controls and practices.

16. Consolidated Appropriations Act, Section 522 Compliance

Section 522 of the Consolidated Appropriations Act, 2005 (Division H, The Transportation, Treasury, Independent Agencies, and General Government Appropriations Act, 2005) requires, among other things, that agencies, including the FDIC, establish and implement comprehensive privacy and data protection procedures and have an independent third-party review performed of their privacy programs and practices. According to the Act, agency Inspectors General are to contract with an independent firm to conduct the review. The review is required to be conducted at least every 2 years.

The audit objectives will be to (1) evaluate the agency's use of information in identifiable form (i.e., personally identifiable information (PII)) and the FDIC's privacy and data protection procedures and (2) recommend strategies and specific steps to improve privacy and data protection management practices.

Benefits/Potential Outcomes: Enhanced protection of the Corporation's PII and strengthened privacy and data protection management practices.

17. General Ledger Accounting Processes

The General Ledger was implemented on May 2, 2005 as the central component of the New Financial Environment (NFE). A module within PeopleSoft's Financials software, version 8.4, the general ledger, provides accounting, reporting, and decision making information for FDIC business managers. All financial transactions post, either individually or in summary, to the general ledger, regardless of the origin of the transaction. Key general ledger processes include (a) general ledger editing and posting; (b) allocations, accruals, and month-end/year-end closings; and (c) general ledger analysis and reconciliation. Although the GAO reviews internal controls related to the general ledger as part of its annual audit of the FDIC's financial statements, GAO's work is not designed to assess all aspects related to the efficient and effective operation of the general ledger. Accordingly, we plan to assess whether the general ledger provides the FDIC the ability to meet its current and future financial management needs in an efficient and effective manner. The audit will also assess whether key user and system documentation is up-to-date and whether general ledger reporting meets user information needs.

The audit objective is to evaluate whether the NFE general ledger allows the FDIC to satisfy its accounting needs in an efficient and effective manner.

Benefits/Potential Outcomes: The audit may identify potential system or process enhancements that could (a) reduce time and effort spent on accounting tasks (such as through reduced manual processes or improved reporting), (b) strengthen data integrity and management controls, and (c) improve financial management reporting.

18. Financial Reporting Through the Government-wide Financial Report System

Pursuant to the Government Management Reform Act of 1994, GAO conducts an annual audit of the Consolidated Financial Statements of the U.S. government. In conducting the audit, GAO relies upon financial information reported by government agencies (including the FDIC) to the U.S. Treasury Department via the Government-wide Financial Report System (GFRS). GAO has requested that the OIG attest to the accuracy of financial information reported by the FDIC through the GFRS as of September 30, 2007. This assignment will involve verifying whether the FDIC's financial data submissions in the U.S. Treasury's Closing Package are current, accurate, and complete. The audit work will be conducted in accordance with generally accepted government auditing standards, which incorporate financial audit and attestation standards established by the American Institute of Certified Public Accountants. These standards provide guidance for performing and reporting the results of our verification procedures.

The audit objective is to verify and attest to the financial information reported by the FDIC to the U.S. Treasury Department via the GFRS as of September 30, 2007.

Benefits/Potential Outcomes: By performing this work, GAO can reduce the level of effort expended on the FDIC's annual financial statement audit. The audit will provide outside parties assurances regarding the integrity of key financial information reported by the FDIC.

19. Purchase Card Program

The FDIC implemented a procurement credit card program to provide a simplified method for procuring low-dollar-value goods or services (i.e., \$5,000 or less) and reducing the administrative timeframes generally associated with these types of procurements. Cardholders and approving officials manage their credit card statements (including verification, approval, and invoice reconciliation) on-line through the New Financial Environment. The Procurement Credit Card Program is administered by the Division of Administration's (DOA) Acquisition Services Branch. The GAO has identified control weaknesses in the General Services Administration's Government-wide Procurement Card Program. In addition, a recent DOA internal review identified deficiencies in the FDIC's Procurement Credit Card Program.

The audit objective is to evaluate the controls over the FDIC's procurement card program, including whether the proper delegated authority exists for use of credit cards and whether cards are issued and used in accordance with policy.

Benefits/Potential Outcomes: The audit will provide assurance regarding whether disbursements through the Procurement Credit Card Program comply with FDIC policies and procedures and are properly monitored, justified, and approved. The effectiveness of such controls are key to mitigating the risk of fraudulent, improper, or abusive charges.

20. International Travel

The FDIC defines international travel as travel to destinations outside the United States and its territories (i.e., Puerto Rico, Guam, American Samoa, the U.S. Virgin Islands, Johnston Atoll, Midway Islands, Northern Mariana Islands, and Wake Island). The FDIC expects employees traveling internationally on official business to exercise the same prudent care in incurring reimbursable expenses as though traveling on personal business. In addition, international travel requires that the Chairman or the Chairman's designee pre-approve the travel and authorize a specific travel authorization. The FDIC's General Travel Regulations (GTR), Volume I, outlines the provisions that apply to individuals on official travel for the FDIC. The category of travel and reimbursement is determined by the length of time at the temporary duty assignment. The regulations also address travel that has other special characteristics, such as foreign travel, invitational travel, Board member travel, first-class travel, and business class travel. Since 2002, the OIG has completed 3 travel-related reviews:

- Controls over Board Members' Travel (October 3, 2002 – Report No. 03-003)
- The FDIC's Management of Travel Costs (September 2005 – Report No. 05-036)
- Inside Board Member and Executive Manager Travel (June 2005 – Report No. 05-024)

The audit objective will be to determine whether (a) the FDIC has established international travel policies that are consistent with FFIEC agencies and (b) international travel is authorized, approved, and paid in accordance with the FDIC's GTR.

Benefits/Potential Outcomes: The audit may identify opportunities to strengthen the FDIC's monitoring and controls over international travel.

The following ongoing audit assignments will carry over to FY 2008:

- FDIC's Assessment of Commercial Real Estate Concentration Risk
- DSC's Examination Assessment of Interest Rate Risk
- FDIC's Oversight of Subprime Credit Card Lending
- FDIC's Implementation of the USA PATRIOT Act

- Examination Procedures for Assessing Controls to Protect Customer and Consumer Information at Multi-regional Data Processing Servicers
- Implementation of the FDIC's Supervisory Guidance for Nontraditional Mortgage Products
- FDIC Laptop Computer Replacement



Appendix VI

FY 2008 Planned Evaluations

Below is a list of the planned OIG evaluations for FY 2008. A description of each evaluation is provided on the following pages.

1	FDIC Consumer Response Center
2	Contingency Contracts
3	Addressing Obstacles Related to Closing a Large Bank
4	Performance-Based Acquisitions
5	Corporate Employee Program
6	Energy Efficiency of FDIC Datacenters and IT Equipment
7	Management of Commercial off-the-Shelf Applications
8	Data Conversion Related to NFE Migration to UNIX
9	Physical Security – Guard Services
10	Integrity of Information Technology Procurements and Governance
11	Budget Execution

The following ongoing evaluation assignments will carry over to FY 2008:

- FDIC's Transit Subsidy Program
- Contract Rationalization
- FDIC's Internal Risk Management Program
- FDIC's Telework Program
- FDIC's Claims Administration System

Strategic Goal 3: Assist the FDIC to Protect Consumer Rights and Ensure Customer Data Security and Privacy

1. FDIC Consumer Response Center

The objective is to evaluate to what extent the FDIC uses Consumer Response Center (CRC) trend and activity report information in developing supervisory policy and carrying out its examination process. In July 2002, the FDIC centralized its consumer affairs function by expanding the mandate of its Credit Card Center, in Kansas City, by renaming it the CRC. The FDIC's CRC is responsible for (1) investigating all types of consumer complaints about FDIC supervised institutions and (2) responding to consumer inquiries about consumer laws and regulations and banking practices. Potential areas of focus may include:

- the reporting capability and data integrity of the specialized tracking and reporting system,
- any other summary reporting and trend analysis performed by the CRC,
- the distribution of the CRC reports and analysis, and
- how the CRC information is used by the FDIC in developing policy and conducting examinations.

Benefits/Potential Outcomes: Verify that the CRC is compiling and providing to appropriate FDIC divisions and offices summary and trend information that is used to ensure effective examination policies and processes.

Strategic Goal 4: Help Ensure that the FDIC is Ready to Resolve Failed Banks and Effectively Manages Receiverships

2. Contingency Contracts

The objective is to evaluate the viability of DRR's resolution contingency contract approach. A contingency contract is a contract vehicle put in place without an immediate need for the defined goods or services, but with justification supporting an expectation of a future need. DRR has prequalified vendors for seven contingency contracts that may be awarded quickly in the event of an increase in resolution activity or a large non-systemic bank failure. These contracts involve the following services:

- Payroll,
- Credit card consulting,
- Developing loss sharing assistance agreements,
- Receivership assistance,
- Destruction of computers,

- Call Center, and
- Imaging and indexing documents.

This assignment will address how DRR ensures that contingency contractors (1) maintain on a continuing basis the requisite technical skills and experience and (2) will be immediately available to assist the FDIC if there is an increase in resolution activity or a large non-systemic bank failure.

Benefits/Potential Outcomes: (1) Provide assurance that DRR's contingency contracting approach enables the Corporation to have immediate access to the contractor support it needs to efficiently and effectively resolve failed banks and manage receiverships and/or (2) identify opportunities for DRR to improve its approach.

3. Addressing Obstacles Related to Closing a Large Bank

The objective is to evaluate the FDIC's planning and preparation for identifying and addressing obstacles and logistics related to closing a large bank. The DRR closing manual provides general guidance for handling a bank failure and is not intended to address every situation that may arise, as the financial world and banking services are constantly changing. DRR has indicated that a large non-systemic bank failure can be approached in the same manner as a small bank failure, except that more personnel and/or contractor expertise and support will be needed, and more extensive forward planning will be required. DRR has completed a confidential study on a plan for closing a very large, non-systemic bank. In addition, the Corporate University sponsored a Strategic Readiness Simulation on May 10-11, 2007 with the following as one of its objectives: simulate and stress the FDIC's decision-making processes, strategies, and planning for a large bank failure. The Chairman, Vice Chairman and their staffs participated in this simulation along with FDIC Senior Executives from multiple divisions within the FDIC.

Benefits/Potential Outcomes: (1) Identify gaps in DRR's plans to address obstacles/logistics related to closing a large bank and (2) suggest opportunities to improve DRR's planning efforts for a large bank failure.

Strategic Goal 5: Promote Sound Governance and Effective Stewardship and Security of Human, Financial, IT, and Physical Resources

4. Performance-Based Acquisitions

The objectives are to (1) identify FDIC contracts that have had performance-based aspects and (2) determine the extent to which the FDIC's performance-based contracts are consistent with FDIC and applicable government-wide guidance. Performance-Based Acquisition - formerly Performance-Based Contracting - is a technique for structuring all aspects of an acquisition around the purpose and outcome desired as opposed to the process by which the work is to be performed. In 2001, the Office of

Management and Budget (OMB) established annual goals for agencies to award a certain percentage of contracts over \$25,000 as performance based acquisitions (45 percent of procurement actions over \$25,000 in 2007). An Interagency-Industry Partnership in Performance came up with a guide geared to the greater acquisition community (especially program offices) breaking down performance-based service acquisition into seven simple steps.

- Establish an integrated solution team
- Describe the problem that needs solving
- Examine private-sector and public-sector solutions
- Develop a performance work statement or statement of objectives
- Decide how to measure and manage performance
- Select the right contractor
- Manage performance

Benefits/Potential Outcomes: (1) Identify the extent to which the FDIC has implemented the performance-based contracting in its acquisition of services and (2) identify opportunities to improve award and management of performance-based acquisitions.

5. Corporate Employee Program

The objective is to assess FDIC’s efforts to implement the Corporate Employee Program (CEP), including: (1) status on number of corporate employees and level of program completion, (2) whether the CEP has stated measurements for gauging program effectiveness, (3) participant and management views on the benefits and success of the CEP. The CEP is an initiative at the FDIC to provide opportunities for employees at all levels to identify, develop, and apply skills in multiple corporate functions through various training opportunities and cross-divisional work assignments. This initiative was developed at the FDIC to respond to the growing consolidation and complexity within the financial services industry. The program eventually will encompass FDIC business and support lines to create a workforce that possesses a common corporate perspective, with training and experience in multiple corporate functions, and capable of responding rapidly to shifting priorities and changes in workload.

Benefits/Potential Outcomes: (1) Confirmation that the CEP is working as intended and (2) Constructive ideas for refining and further improving the CEP program.

6. Energy Efficiency of FDIC Datacenters and IT Equipment

The objective is to evaluate the Corporation’s efforts to conserve energy in its operation of data centers and IT equipment. Datacenters are consuming an increasing amount of electricity to process, store, and manipulate the exploding amount of digital data. Datacenters and servers in the United States accounted for 1.5 percent of all electrical consumption in 2006, double the consumption in 2000, according to an Environmental Protection Agency (EPA) report. No information exists for the number of federal

datacenters and servers, but the EPA estimates that the federal government accounts for 10 percent of the national consumption of electricity by all datacenters and servers. EPA also reported that the federal government, working with the private sector, should develop a standard method to measure and report how much electricity datacenters consume and install cost-effective equipment that leads to reduced energy consumption. In addition, Sun Microsystems recently unveiled a suite of programs and services that will help information technology managers construct more energy-efficient datacenters and implement state-of-the-art power-saving technologies.

Benefits/Potential Outcomes: (1) Increase energy efficiency of FDIC datacenters and IT equipment and (2) correspondingly reduce the expenses for energy consumption.

7. Management of Commercial off-the-Shelf Applications

The objective is to identify best practices in other federal agencies and the private sector for managing Commercial off-the-Shelf (COTS) software. COTS software is released to users as pre-configured by the vendor in its “shrink-wrapped” form. DIT usually modifies only the installation scripts or configuration items to ensure network compatibility. However, DIT modifies some COTS applications to suit user needs prior to release to the production environment.

COTS or component-based development is generally considered to be a lower risk strategy than in-house development. COTS software provides a simple and rapid mechanism for increasing system functionality and capability. However, systems with a lot of COTS components can have problems with versioning, both with the versioning of the COTS and with the underlying operating system. For example, different customer-vendor evolution cycles may result in uncertainty about how often COTS components in a system may have to be replaced and the extent of the impact of such a change on the rest of the system. This makes it difficult to plan and predict costs over the life cycle of a system. Further, upgrading to a new version of COTS software poses other risks, such as:

- Hidden incompatibilities may cause unforeseen side effects in the system, necessitating a complete system update.
- Changes in the quality attributes of a new version of COTS software (e.g., performance, security, safety, reliability etc.) may be incompatible with the user requirements and may adversely affect the operational capabilities of the system.

Finally, when you have multiple interrelated COTS packages, as the packages are updated, interfaces from one COTS package might interfere with other COTS interfaces and system and hardware requirements might conflict.

Benefits/Potential Outcomes: As requested by FDIC management, we will identify best practices in other federal agencies and the private sector for managing information technology in a COTS software environment. In doing so, we hope to provide the FDIC with methods for increasing the efficiency of its use and maintenance of COTS software.

8. Data Conversion Related to NFE Migration to UNIX

The objective is to evaluate whether the FDIC has proper controls in place to ensure an efficient and effective transfer of data when the New Financial Environment (NFE) software is upgraded and migrated to a UNIX environment.

NFE is a system developed for the Division of Finance (DOF) using Peoplesoft 8.4 software. NFE was placed on the FDIC's mainframe to operate. The Division of Information Technology (DIT) recently decided to migrate this software to a UNIX environment to make NFE more efficient. At the same time, DIT plans to upgrade the NFE software from Peoplesoft version 8.4 to version 9.0. An effective data conversion process is important to maintaining data integrity and quality after the NFE software is upgraded and moved to the UNIX environment. To that end, this review is intended to assist the FDIC in developing and implementing a successful data conversion strategy. Areas covered could include:

- Understanding source data,
- Defining target data specifications,
- Defining and measuring target data quality,
- Choosing and mapping correct sources for target data elements,
- Ensuring data quality throughout the conversion process.

Benefits/Potential Outcomes: An efficient, quality-focused approach to data conversion during the NFE upgrade and migration.

9. Physical Security – Guard Services

The objective is to evaluate to what extent DOA has balanced security needs and cost efficiency in administering guard services. The current guard services contract was competitively awarded in June 2004 for the Headquarters locations (Washington, D.C. and Arlington, VA) and expires May 31, 2009. In January 2006, Regional and Area Office guard services were consolidated under the Headquarters contract to improve efficiency and operational uniformity. On July 9, 2007, DOA requested and received FDIC Board approval to award a competitive contract for nationwide guard services. DOA expects to award the new contract in November 2007. The estimated expense for these services is \$75 million over 7 years, based on historical expenditures, and incorporates an annual labor escalation of 3 percent as presented below:

- Base Period (3 years): \$30M
- Option Period 1 (2 years): \$22M
- Option Period 2 (2 years): \$23M

Benefits/Potential Outcomes: (1) Provide assurance that the FDIC has reasonably balanced protecting FDIC employees, property, and the general public with achieving efficiencies. (2) Identify opportunities for reducing costs of guard services while maintaining an adequate level of protection.

10. Integrity of Information Technology Procurements and Governance

The Chairman has requested an evaluation addressing various controls and issues associated with ensuring the integrity of information technology (IT) procurements from pre-award through contract administration, to include the:

- Decision to contract versus perform functions in-house
- Procedures and controls for maintaining separation between FDIC employees and contractors (personal service contracts)
- Process for contracting decisions, including extent to which there is third-party review
- Confidentiality and security of procurement sensitive information
- Controls to prevent improper financial relationships between FDIC officials and contractors, such as:
 - ♦ Background investigations
 - ♦ Ethics disclosure requirements
 - ♦ Confidentiality and non-disclosure agreements
- Degree to which former FDIC employees work on FDIC contracts:
 - ♦ How decisions to rehire former employees are made,
 - ♦ Post employment restrictions that apply.

All of the areas of interest to the Chairman will be evaluated against FDIC policies and procedures, government-wide rules and regulations, and best practices. This key effort will require several evaluation teams and multiple products.

Benefits/Potential Outcomes: This key effort will provide the Chairman with information and recommendations that will enable her to have greater assurance that information technology procurements are carried out and monitored with verifiable integrity through proper and transparent governance processes.

11. Budget Execution

The objective is to evaluate the budget execution and budget reporting process, including controls over reallocations of funds between budget categories. The Corporation's senior leadership establishes high-level budgetary and planning guidance. DOF coordinates with divisions and offices in the development of proposed budgets in accordance with this guidance. After the Corporation's annual Corporate Operating Budget and related performance plans are approved by the Board, individual divisions and offices are primarily responsible for budget execution. DOF is responsible for monitoring and providing reports to the senior leadership of the Corporation on the Divisions' and Offices' performance of these responsibilities. Our evaluation will focus on DOF's responsibility for budget execution and the Chief Financial Officer's authority to reallocate funds between budget categories. We have completed earlier evaluations on the Corporate Planning Cycle and the establishment of Corporate Performance Measures.

Benefits/Potential Outcomes: (1) Improvements in the process for monitoring and reporting of the execution of Corporation's Operating Budget and (2) validation that controls over budget execution are appropriate.

The following ongoing evaluation assignments will carry over to FY 2008:

- FDIC's Transit Subsidy Program
- Contract Rationalization
- FDIC's Internal Risk Management Program
- FDIC's Telework Program
- FDIC's Claims Administration System



Appendix VII

FY 2008 Planned Investigative Activities

1	Continue to respond to and investigate allegations of fraud and other financial crimes affecting FDIC-insured institutions, referred to the OIG by the FDIC, U.S. Attorneys' Offices, and other law enforcement agencies, or identified through review and analysis of Suspicious Activity Report (SAR) filings
2	Continue to develop and provide training to the FDIC, FFIEC, and industry officials, related to financial and electronic crimes that can threaten FDIC institutions
3	Maintain and continue to refine the OIG's SAR database to better enable the Office of Investigations (OI) to identify and prioritize financial institution fraud cases of significance to FDIC
4	Continue to coordinate and communicate regularly with DSC and the Legal Division regarding financial institution fraud cases
5	Participate in law enforcement/regulatory task forces and working groups to identify cases warranting FDIC OIG attention, and identify trends and concerns relating to fraud affecting the industry and the banking public
6	Continue to work with DSC, IT and the Legal Division to identify phishing, pharming, and other schemes that prey on the public for purposes of fraud and identity theft or to disrupt computer operations (malicious attacks)
7	Monitor proposed legislation to strengthen FDIC enforcement authority with regard to individuals that make false representations regarding FDIC-affiliation/insurance and coordinate with the FDIC to implement processes for mutual referral of such allegations for criminal/administrative action
8	Continue to provide a team of OI agents, to include computer forensic agents, to participate in the event of any bank closing where fraud is suspected and aggressively pursue criminal investigations of any fraud that contributed to an institution failure
9	Pursue with DRR/DSC integration in a training module of one or more presentations on OI investigative processes/concerns in the context of bank closings
10	Establish more systematic process for coordination with DSC, DRR, and the Legal Division in the agency's preparation for potential closings
11	Continue to conduct investigations referred by the Legal Division and DRR of suspected criminal concealment of assets by individuals owing restitution to the FDIC
12	Continue to respond to and investigate allegations of crimes and serious misconduct or ethical violations involving FDIC employees and contractors
13	Continue to operate and manage the OIG Hotline, referring to the FDIC any management issues or trends warranting attention
14	Continue to coordinate with DIT and DOA with respect to instances of potential computer intrusion and abuse
15	Implement a reorganization designed to more effectively and efficiently carry out OI's work in jurisdictions covered by the FDIC's six regional offices
16	Continue to conduct internal reviews of OI regional offices for compliance with OI policies and PCIE standards
17	Support PCIE efforts to enhance and maintain high-quality investigative training for the OIG community

STRATEGIC GOAL 1: Safety & Soundness: Assist the FDIC to Ensure the Nation’s Banks Operate Safely and Soundly[♦]

1. Continue to respond to and investigate allegations of fraud and other financial crimes affecting FDIC-insured institutions, referred to the OIG by the FDIC, U.S. Attorneys’ Offices, and other law enforcement agencies, or identified through review and analysis of Suspicious Activity Report filings

Objective/Description: The investigative objective is to help ensure that offenders that harm or threaten to harm the nation’s banks are criminally prosecuted, support FDIC in facilitating successful parallel enforcement proceedings banning offenders from banking, and deter others from carrying out similar crimes.

Benefits/Potential Outcomes: Given the serious limitations on law enforcement resources devoted to combating financial institution fraud, OI focuses its limited resources and unique expertise to investigate complex and significant financial institution fraud that otherwise will go unaddressed. In doing so, OI helps the FDIC ensure that proven offenders are removed from the banking industry, limiting their ability to cause further harm to FDIC-insured institutions; contributes to government-wide efforts to enforce Title 18 to punish and deter criminal activity; and obtains forfeiture, restitution or other forms of recovery for losses sustained by the FDIC and other victims of these crimes.

2. Continue to develop and provide training to the FDIC, FFIEC, and industry officials related to financial and electronic crimes that can threaten FDIC institutions

Objective/Description: As the only law enforcement arm within the FDIC, OI agents have unique training and expertise in conducting criminal investigations of financial institution fraud and electronic crimes. By sharing this expertise, and “lessons learned” from OIG investigations, the OIG can help educate the FDIC, other law enforcement organizations, financial regulators, industry officials, and the public regarding red flags, trends, and other indicia of financial institution fraud and identity theft.

Benefits/Potential Outcomes: Heightened awareness of the various signs of fraud, methods to prevent fraud, and strategies to help combat fraud and prosecute offenders. Training presentations by OIG agents also broaden understanding/appreciation of the OIG’s mission and accomplishments.

[♦] It should be noted that OI’s work in helping to ensure the nation’s banks operate safely and soundly also fully supports the OIG’s strategic goal 2: Help the FDIC Maintain the Viability of the Insurance Fund.

3. Maintain and continue to refine the OIG's Suspicious Activity Report (SAR) Database to better enable OI to identify and prioritize financial institution fraud cases of significance to the FDIC

Objective/Description: OI has developed unique software systems to more effectively and efficiently review Financial Crimes Enforcement Network's SAR database. OI will continue to maintain and update the SAR database, accessible to OI agents and examiners designated by the Division of Supervision and Consumer Protection (DSC). OI will continue to refine this tool based on agent/examiner feedback and will continue to make the tool available to the FDIC for the agency's use in its regulatory and enforcement missions.

Benefits/Potential Outcomes: Increased ability and efficiency in reviewing and analyzing SAR data in order to identify potential fraud and significant trends, and to support current and future investigations and FDIC enforcement programs and operations.

4. Continue to coordinate and communicate regularly with DSC and the Legal Division regarding financial institution fraud cases

Objectives/Description: OI will continue to notify DSC when initiating investigations into fraud at open financial institutions and will continue to issue quarterly reports to keep FDIC officials abreast of the status of these cases. OI will continue to meet regularly with DSC headquarters staff to discuss investigative and/or enforcement cases of mutual interest or concern, coordination issues, and fraud trends/developments potentially impacting the industry. Additionally, OI will continue to participate on a regular basis with DSC/Legal regional staff to review and discuss SARs that may warrant investigative/regulatory attention.

Benefits/Potential Outcomes: Effective coordination and communication leads to a greater mutual understanding of particular law enforcement or regulatory/enforcement concerns associated with specific cases or types of cases. Participation in regular meetings helps OI identify cases of importance to the FDIC. Through these meetings, OI can provide a law enforcement perspective to DSC and the Legal Division in their assessment of pertinent SARs, while developing potential matters for criminal investigation consonant with OI's mission and responsibilities.

5. Participate in law enforcement/regulatory task forces and working groups to identify cases warranting FDIC OIG attention, and identify trends and concerns relating to fraud affecting the industry and the banking public

Objective/Description: OI will continue to be an active participant in the National Bank Fraud Working Group and its sub-groups, including the Mortgage Fraud Working Group and Cyberfraud Working Group, where information relating to financial institution fraud, of concern to both financial institution regulators and law enforcement,

is shared and strategies for combating fraud are discussed. OI will also continue to participate in regional SAR Review Teams, and other law enforcement/regulatory working groups and task forces that have been established across the country to address emerging areas of financial institution fraud.

Benefits/Potential Outcomes: Identification of cases warranting OI attention. Improved coordination with other law enforcement and regulatory agencies, leading to more efficient and timely exchanges of information of benefit to this community and possibly to the development of more effective investigation strategies that maximize limited resources available within multiple agencies.

Strategic Goal 3: Consumer Protection: Assist the FDIC to Protect Consumer Rights and Ensure Customer Data Security and Privacy

6. Continue to work with DSC, IT and the Legal Division to identify phishing, pharming, and other schemes that prey on the public for purposes of fraud, identity theft or to disrupt computer operations (malicious attacks)

Objectives/Description: Further develop our activities in detecting, investigating, and deterring theft of identities and fraud schemes involving misrepresentations of FDIC insurance or affiliation.

Benefits/Potential Outcomes: Enforcement of Title 18 in order to punish and deter related criminal activity and to obtain recoveries on behalf of victims, protect consumers, and support government-wide efforts to defend financial e-markets against concerted criminal efforts that would undermine critical business activity.

7. Monitor proposed legislation to strengthen FDIC enforcement authority with regard to individuals that make false representations regarding FDIC affiliation/insurance and coordinate with the FDIC to implement processes for mutual referral of such allegations for criminal/administrative action

Objectives/Description: Assist the FDIC in obtaining new authority to conduct enforcement actions against individuals who misuse the FDIC's name or products to further fraudulent or other criminal activity.

Benefits/Potential Outcomes: Defend the integrity of the FDIC's name and franchise and protect consumers against crimes harming them through the misuse of FDIC's name or products.

Strategic Goal 4: Receivership Management: Help Ensure that the FDIC is Ready to Resolve Failed Banks and Effectively Manages Receiverships

- 8. Continue to provide a team of OI agents, to include computer forensic agents, to participate in the event of any bank closing where fraud is suspected and aggressively pursue criminal investigations of any fraud that contributed to an institution failure**

Objectives/Description: Through effective coordination and proper training, maintain the capability and expertise to assemble and send teams of agents who are prepared to respond on short notice in the event of a bank closing.

Benefits/Potential Outcomes: Early collection and preservation of evidence and information needed to support a criminal prosecution; effective sharing of information with the FDIC to help support resultant civil/regulatory actions.

- 9. Pursue with DRR/DSC integration in a training module of one or more presentations on OI investigative processes/concerns in the context of bank closings**

Objective/Description: Develop better access to real-time information for planning in the event of a closing and familiarizing potential closing team members with the responsibilities of the OIG in the event of a financial institution failure.

Benefits/Potential Outcomes: More effective participation in closings, better understanding of the institution to enable more targeted investigative efforts at the moment of a closing, more efficient exchanges of information with the FDIC in its efforts to minimize the cost of closings to the DIF.

- 10. Establish more systematic process for coordination with DSC, DRR and the Legal Division in the agency's preparation for potential closings**

Objective/Description: Develop more effective procedures for access to information and resolve access to information issues between the agency and the OIG before having to do so in the environment of a closing.

Benefits/Potential Outcomes: Clearer lines of communication with the agency in the closing environment; better methods of identifying and preserving evidence, taking into account the business needs of the agency and the needs of a criminal investigation; more effective planning for the use of scarce resources (e.g., closing team assets and OI resources, including electronic crimes group assets) in the context of closings.

11. Continue to conduct investigations referred by the Legal Division and DRR of suspected criminal concealment of assets by individuals owing restitution to the FDIC

Objectives/Description: Work with the Legal Division, DRR, and U.S. Attorneys' Offices, to identify, investigate and successfully prosecute individuals who criminally conceal assets from the FDIC to avoid payment of court-ordered restitution. The goal is to help the FDIC in recovery of funds it is owed and to hold criminal offenders accountable.

Benefits/Potential Outcomes: Imposition of criminal penalties against these "repeat offenders"; deterring others from committing similar offenses; recovery of funds for the FDIC.

Strategic Goal 5: FDIC Resources Management: Promote Sound Governance and Effective Stewardship and Security of Human, Financial, IT, and Physical Resources.

12. Continue to respond to and investigate allegations of crimes and serious misconduct or ethical violations involving FDIC employees and contractors

Objectives/Description: Address allegations of corruption or serious misconduct involving financial or significant reputational risk to the FDIC.

Benefits/Potential Outcomes: Ensuring that the FDIC is perceived as honest and an actor with integrity by the public and the industry in furtherance of the agency's responsibility to maintain confidence and trust in the nation's banking system.

13. Continue to operate and manage the OIG Hotline, referring to the FDIC any management issues or trends warranting attention

Objectives/Description: Provide an independent mechanism for reporting allegations of misconduct or corruption to the OIG.

Benefits/Potential Outcomes: Receipt of allegations that may result in investigations in support of the FDIC's and the OIG's mission.

14. Continue to coordinate with DIT and DOA with respect to instances of potential computer intrusion and abuse

Objectives/Description: Cooperate with the FDIC in ensuring that the agency's computing environment is secure.

Benefits/Potential Outcomes: Contribute to a functioning network that fully supports the activities of the agency under any circumstances.

Strategic Goal 6: OIG Resources Management: Build and Sustain a High-Quality Staff, Effective Operations, OIG Independence, and Mutually Beneficial Working Relationships

15. Implement a reorganization designed to more effectively and efficiently carry out OI's work in jurisdictions covered by FDIC's six regional offices

Objectives/Description: Align the OI field structure with that of the FDIC, particularly DSC.

Benefits/Potential Outcomes: Improved coordination with FDIC field offices and the development of cases that benefit the public, the industry and the FDIC in all of the FDIC's regions. Improved efficiencies in addressing a geographically dispersed workload.

16. Continue to conduct internal reviews of OI regional offices for compliance with OI policies and PCIE standards

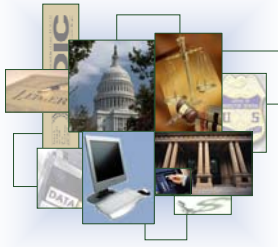
Objectives/Description: Ensure OI operations are conducted in compliance with all OI policies and procedures as well as standards applicable to Federal OIG Offices of Investigation and OIGs generally.

Benefits/Potential Outcomes: Preparation for peer reviews, enhancement of the OIG's efficiency and credibility as the preeminent law enforcement organization in the country in our areas of expertise.

17. Support PCIE efforts to enhance and maintain high quality investigative training for the OIG community

Objectives/Description: Participate in the Inspector General Criminal Investigator Academy (IGCIA) by providing instructional/facilitator support to the various IGCIA training programs in 2008. Continue to participate on the IGCIA's Curriculum Review Committee by systematically reviewing the Academy's basic training programs and recommending appropriate changes to the Assistant Inspectors General for Investigations and the Investigations Committee of the PCIE. Provide technical support and expertise in IGCIA's efforts to become accredited.

Benefits/Potential Outcomes: Increased relevance of training to FDIC OIG agents, enhanced standing of the FDIC OI within the IG community, and enhancement of the IGCIA.



Appendix VIII

FY 2008 Planned OIG Internal Activities

1	Review Management of Corporate Credit Card and Recommend Approach of Usage
2	Strengthen Succession Planning
3	Document IG-Specific Personnel, Financial, and Information Technology Processes
4	Strengthen the OIG's Records Management Program
5	Strengthen the OIG's Information Security Management (ISM) Program, Including Shared Folder Initiative
6	Explore opportunities to leverage the capabilities of ECU and Audit computer labs, staffs, equipment, and those currently possessed by IT staff in the Office of Management
7	Evaluations—Procedures Review and Update
8	Administer Expert Services Contract
9	Secure Communications with Department of Justice Project
10	Quality Control Reviews of OA, OE, and OI offices for compliance with OA, OE and OI policies and PCIE standards
11	Mentoring Program
12	Support of Banking School Enrollments and Pursuit of Professional Certifications and Advanced Degrees
13	Employee Advisory Group
14	Support of Corporate Diversity Efforts
15	Support of IG Community
16	Congressional Outreach
17	Establish a More Comprehensive Enterprise Risk Management Program

Performance Goal 6.1: Effectively and efficiently manage OIG human, financial, IT, and physical resources

1. Review Management of Corporate Credit Card and Recommend Approach of Usage

The objective of this key effort is to review the OIG's current management of the FDIC e-procurement card usage, and recommend an approach that will be most efficient to the OIG operations.

Benefits/Potential Outcomes:

- Continuous facilitation of purchases in a timely and efficient manner.
- Agreed-upon program for more inclusive approach.

2. Strengthen Succession Planning

The FDIC defines succession planning as an ongoing strategically-aligned process of systematically identifying, assessing, and developing internal talent and identifying and assessing external measures to ensure leadership continuity for all key positions in an organization. The objectives of this key effort are to: (1) determine the extent to which the OIG's succession planning program identifies and addresses OIG key competencies and future critical office staffing and leadership needs; and (2) identify opportunities for strengthening and improving the program. We will also evaluate whether our succession planning initiatives and efforts are consistent with the seven key principles for effective succession management identified by GAO, the Office of Personnel Management, the Corporate Leadership Council, and the National Academy of Public Administration.

Benefits/Potential Outcomes:

- Assurance of leadership continuity and organizational stability.
- Identification of gaps in mission critical skills, competencies, and knowledge.
- More effective training and leadership development programs.
- Enhanced managerial and executive talent level and skills.
- Retention of valued staff.

3. Document IG-Specific Personnel, Financial, and Information Technology Processes

The objective of this key effort is to establish an official resource center for the documentation of the processes of the major operations in the Office of Management. This will involve creating handbooks for each specific operation including personnel,

financial, and information technology and other mandatory functions that identify the requirements, procedures, guidelines, and examples of each function.

Benefits/Potential Outcomes:

- Efficient transition when an employee leaves the OIG. New staff will be able to continue with the assignments in an orderly fashion.
- During the absence of an employee, another staff member will be able to fill in more easily.
- Identification of possibilities to streamline current OM processes.

4. Strengthen the OIG’s Records Management Program

The objective of this key effort is to update and strengthen the OIG’s records management program. In coordination with other OIG offices, we will assess overall compliance with the FDIC’s Records Management Program. We will also assess our program’s effectiveness in assuring the timely and complete inventorying, archiving, and retrieval of records consistent with OIG requirements for document access and in consideration of office space constraints. Finally, we will evaluate the retention practices for certain documents that support decisions and business practices (such as budget worksheets) to determine whether such records are subject to retention policy. Priority will be given to Office of Counsel records management, including developing protocol that reflects recent changes in the Federal Rules of Civil Procedure governing the discovery of electronically stored information (E-Discovery initiative).

Benefits/Potential Outcomes:

- Enhanced and updated program and policy that provides for a records management process that is consistent with the corporate program, OIG needs, and our organizational structure.
- A revised OIG records disposition schedule that addresses OIG access needs and statutory requirements.
- Identification of OIG records eligible for off-site storage or destruction.
- Improved protection of records from inappropriate and unauthorized access.
- Increased ability to respond to civil and criminal discovery under the new rules.

5. Strengthen the OIG’s Information Security Management (ISM) Program, Including Shared Folder Initiative

The main focus of the OIG’s Information Security Program is to ensure the protection of the OIG’s information resources and the uninterrupted continuation of OIG operations. The objective of this key effort is to ensure that the OIG’s information security program is consistent with the Corporation’s policy, and to protect sensitive information from loss, misuse, and unauthorized access or modification. Additionally, we will perform a comprehensive review of all OIG shared network folders to include usage level, continued need, data content, access rights, and access control monitoring procedures.

Benefits/Potential Outcomes:

- Compliance with FDIC's policy on protecting sensitive information (FDIC Circular 1360.9)
- Enhanced protection and security of OIG sensitive information and employee privacy.
- Reduced risk of loss, misuse, or unauthorized access to or modification of OIG sensitive information which could adversely impact the OIG in carrying out its mission.
- Improved consistency and standardization in OIG's use of network shared folders.

6. Explore opportunities to leverage the capabilities of ECU and Audit computer labs, staffs, equipment, and those currently possessed by IT staff in the Office of Management

The OIG currently staffs both an audit and investigative IT lab. These labs are maintained at considerable cost, and associated training costs for OA and OI staff are also significant. Additionally, the Office of Management includes staff charged with addressing the OIG's internal IT needs. Perhaps there are ways to better leverage the resources of all OIG groups involved in IT in the interest of the OIG as a whole and the many, varied activities that the OIG undertakes.

Benefits/Potential Outcomes:

- Better understanding of various roles/responsibilities/capabilities of OIG IT staff in our component offices.
- More effective use/leveraging of the OIG's IT staff and related resources to accomplish OIG goals.

Performance Goal 6.2: Ensure quality and efficiency of OIG audits, evaluations, investigations, and other projects and operations

7. Evaluations—Procedures Review and Update

The OE became a separate component of the OIG during FY 2007. As such, it is not currently involved in OA-related activities designed to change and make more efficient processes, procedures, and reporting. The Evaluations group will develop and update policies and procedures to guide its work. Such an effort will be undertaken in line with the PCIE's Quality Standards for Inspections.

Benefits/Potential Outcomes:

- More efficient, effective means for conducting assignments and reporting results.
- Adherence to quality standards.

8. Administer Expert Services Contract

The objective of this key effort is to administer a multi-year contract with a qualified firm to evaluate the FDIC’s compliance with FISMA and Section 522 of the Consolidation Appropriations Act and to conduct other audits and evaluations, as needed. The contract will also require the firm to provide technical expertise and assistance on an as needed basis in support of OIG audits and evaluations. The estimated value of the contract for FY 2008 is \$1.1 million. It is anticipated the contract will have a 5-year performance period (one base year with four option years.)

Benefits/Potential Outcomes:

- Enhanced expertise on OIG audits and evaluations.
- Ability to address more complex and technical FDIC risks, issues, and challenges.
- More efficient and higher quality audits and evaluations.

9. Secure Communications with Department of Justice Project

The OIG will participate in multi-agency efforts to research and pursue methodologies to enhance the security of sensitive law enforcement communications between agencies. We anticipate coordinating closely with others in the IG and law enforcement communities, and with the FDIC’s Division of Information Technology as we pursue this initiative.

Benefits/Potential Outcomes:

- Assurance that the OIG’s communications with law enforcement partners throughout the government are properly secure.

10. Quality control reviews of OA, OE, and OI offices for compliance with OA, OE and OI policies and PCIE standards

OIG component offices will continue to conduct quality control reviews, with the objective of ensuring that audit, evaluation, and investigative operations are conducted in compliance with OIG policies and procedures as well as standards applicable to federal OIGs.

Benefits/Potential Outcomes: Preparation for peer reviews, quality OIG products and processes.

Performance Goal 6.3: Encourage individual growth and strengthen human capital management and leadership through professional development and training

11. Mentoring Program

Continue the OIG's mentoring program, in conjunction with the corporate program and explore ways of enriching the OIG's program.

Benefits/Potential Outcomes:

- Enhanced mentorees' professional growth and development and understanding of the OIG.
- Opportunities for more experienced OIG staff to share/pass along workplace experiences and knowledge.

12. Support of Banking School Enrollments and Pursuit of Professional Certifications and Advanced Degrees

The OIG will continue to encourage and support staff seeking to advance professionally by pursuing training opportunities. Of note, the OIG will continue to select staff to attend graduate programs at banking schools, a practice begun in 2007.

Benefits/Potential Outcomes: Enhanced knowledge and increased expertise.

Performance Goal 6.4: Foster good client, stakeholder, & staff relationships

13. Employee Advisory Group

Continue practice of convening an EAG comprised of non-managerial staff from OIG headquarters and field office locations. The group will meet quarterly with the IG.

Benefits/Potential Outcomes:

- Provide a voice to non-managerial OIG employees.
- Enhance employee morale.
- Bring issues of employee concern to the IG's attention.
- Promote communication among headquarters and field sites/staff.

14. Support of Corporate Diversity Efforts

Continue OIG practice of informing OIG staff of corporate diversity events, participating in such events, and contributing to the FDIC's annual report of Diversity activities.

Benefits/Potential Outcomes:

- Heightened awareness of diversity in the workplace.
- Enhanced working relationships with FDIC colleagues and other stakeholders.

15. Support of IG Community

The FDIC OIG will be an active participant and supporter of the efforts of the IG community. OIG staff will make a number of contributions by participating in meetings, trainings, forums, cross-cutting initiatives, data calls, and special projects.

Benefits/Potential Outcomes:

- Opportunity to serve and support the IG community at large.
- Opportunity to share best practices with others.
- Opportunity to learn from experiences of other OIGs.
- Opportunity to engage others in the FDIC OIG on special projects, with learning opportunities.

16. Congressional Outreach

Continue the OIG's practice of monitoring congressional interest in FDIC business lines and coordinating with FDIC counterparts on congressional issues. Emphasize increased communications with congressional clients to keep them fully and currently informed about OIG work and issues relating to FDIC programs and operations.

Benefits/Potential Outcomes:

- Increased awareness as to the financial regulatory issues that the Congress oversees.
- Opportunity to add value to OIG work by contributing congressional perspective.
- Increased congressional interest in OIG products.
- Increased interaction and dialogue with congressional staff

Performance Goal 6.5: Enhance OIG Risk Management Activities

17. Establish a More Comprehensive Enterprise Risk Management Program

The objective of this key effort is to establish a more comprehensive OIG Enterprise Risk Management Program. This will be done in a number of ways. First, we will address management controls and activities within our strategic framework and across the organization boundaries. The enhanced program will place greater emphasis on the processes and controls over key deliverables that must be timely and accurate in order to carry out the OIG mission. This aspect of the key effort has been developed, in part, as a result of major revisions to the management control review process that were initiated by OERM.

Benefits/Potential Outcomes:

- Establishment of an OIG Enterprise Risk Management Program for identifying and evaluating management controls and activities within our strategic framework.
- Enhanced justification and support for the OIG's annual assurance statement on management controls
- Increased management awareness of its ongoing responsibilities for monitoring and evaluating controls.
- A clearer understanding of the risks that could impact the OIG and how these risks may be managed.

Second, we will continue to develop a more risk-based approach to planning processes by more fully incorporate risk management, "events-based" thinking as a prism in determining areas on which the OIG should focus audit/evaluation/investigative attention.

Benefits/Potential Outcomes:

- Greater assurance that OIG resources are focused on doing the right work.
- Better ability to prioritize OIG work and schedule efforts and timeframes in a way that makes better sense.

Third, we plan to hold quarterly meetings to assess progress on our execution of the OIG Business Plan and to discuss related budgetary implications. Such an approach will be helpful in keeping OIG activities and spending on track. With a more systematic process, we can better monitor performance results, spending, milestones, and projects that are ahead of or behind schedule.

Benefits/Potential Outcomes:

- Opportunity for Executive management team to assess/discuss progress of OIG key efforts more frequently.

- More real-time means of keeping projects and OIG spending on track.
- Opportunity to better integrate budget and performance.

Abbreviations and Acronyms

BSA	Bank Secrecy Act
CEP	Corporate Employee Program
COTS	Commercial off-the-Shelf
CRC	Consumer Response Center
CTR	Currency Transaction Report
DIT	Division of Information Technology
DOF	Division of Finance
DRR	Division of Resolutions and Receiverships
ECIE	Executive Council on Integrity and Efficiency
ECU	Electronic Crimes Unit
FBI	Federal Bureau of Investigation
FDIC	Federal Deposit Insurance Corporation
FDICA	Federal Deposit Insurance Corporation Act
FFIEC	Federal Financial Institutions Examination Council
FinCEN	Financial Crimes Enforcement Network
GMS	Growth Monitoring System
GTR	General Travel Regulations
IG	Inspector General
IG Act	Inspector General Act
IGCIA	Inspector General Criminal Investigators Academy
IT	Information Technology
NFE	New Financial Environment
OA	Office of Audits
OE	Office of Evaluations
OI	Office of Investigations
OIG	Office of Inspector General
OTS	Office of Thrift Supervision
PCIE	President's Council on Integrity and Efficiency
RESPA	Real Estate Settlement Procedures Act
REST	Real Estate Stress Test
SAR	Suspicious Activity Report
SCOR	Statistical CAMELS Off-site Rating
UFIRS	Uniform Financial Institutions Rating System

