

Office of Inspector General

2001 Annual Performance Plan

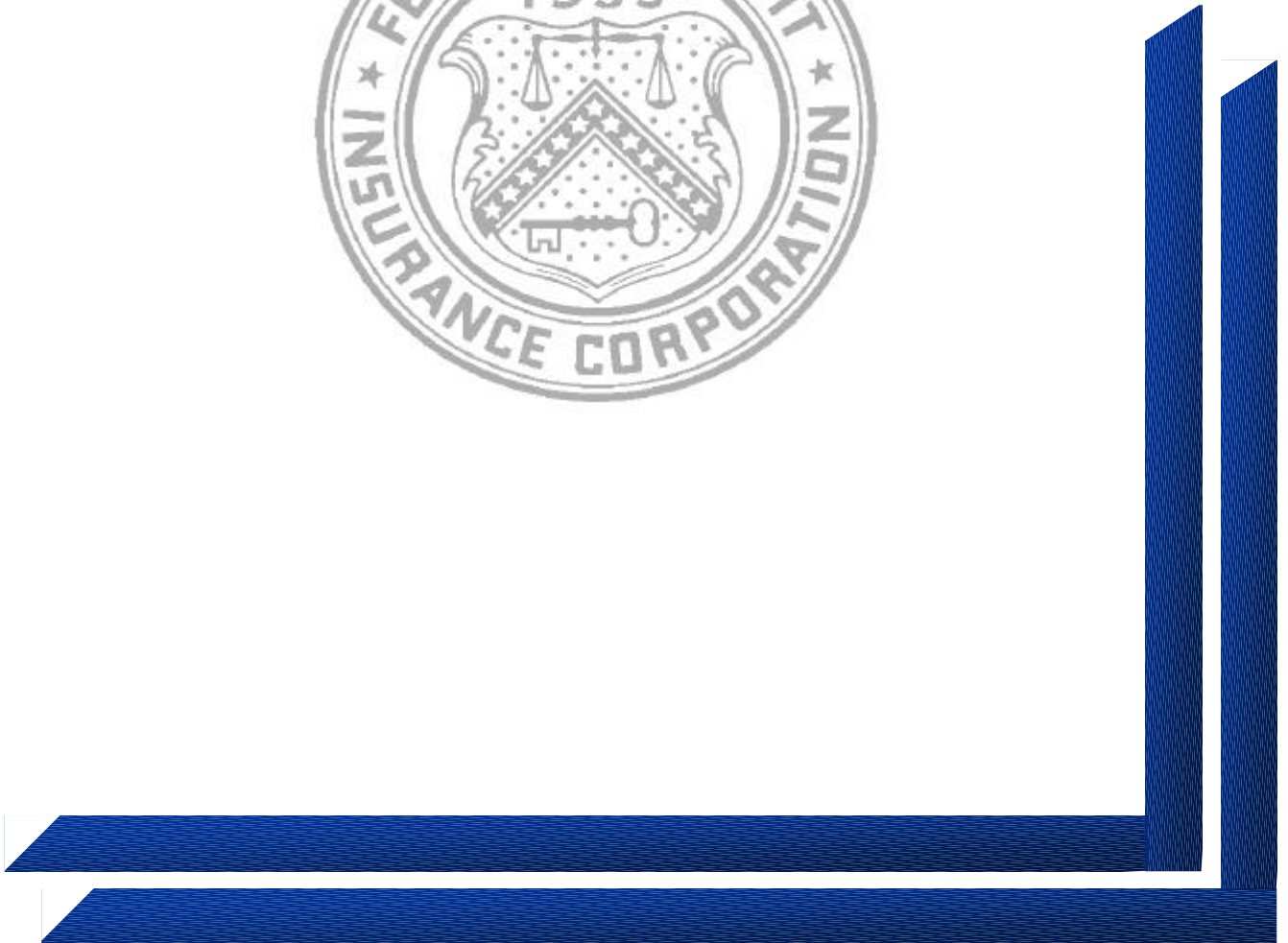


Table of Contents

Introduction	1
OIG Mission and Vision	2
OIG Values	3
6-Year Strategic Outlook	5
Workload Assumptions	7
OIG Strategic Goals, Objectives and Annual Performance Goals	8
Tree Diagram of OIG Goals and Objectives	9
Means and Strategies	15
Impact of External Factors	23
Verification and Validation of Performance Data	25
Appendix – Summary of Changes to Strategic Objectives	26

Introduction

The Government Performance and Results Act of 1993 (Results Act) was enacted to improve the management, effectiveness, and accountability of federal programs. The Results Act 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 Office of Inspector General strongly supports the Results Act and is fully committed to applying its principles of strategic planning and performance measurement and reporting to our operations. Doing so will enable us to demonstrate that we are providing value to the Corporation and help identify changes we are making to improve our organizational effectiveness and efficiency. The OIG Strategic Plan and Annual Performance Plan lay the basic foundations of establishing goals, measuring performance, and reporting accomplishments consistent with the principles and concepts of the Results Act.

The OIG's Annual Performance Plan describes what we will accomplish during the year to help achieve our long-term strategic goals and objectives. The plan bridges the gap between our strategic goals and the day-to-day activities of our staff, and reflects the OIG's emphasis on adding value to the Corporation and doing work that is responsive and relevant to the FDIC Chairman, Congress, and corporate management. The plan contains goals that focus on the OIG's core mission activities of audits, evaluations, and investigations by adding value to the Corporation; expanding the breadth of the OIG's contributions; emphasizing communications with our stakeholders; and increasing the efficiency of OIG internal operations. In keeping with the spirit of the Results Act, the plan also includes goals that commit the OIG to the continued development of performance indicators that better measure the impact and results of OIG work. The Annual Performance Plan is supplemented by annual operating plans for our core mission areas. Together with the Performance Plan, the mission area operating plans are designed to ensure full coverage of the OIG Strategic Plan and to ensure that progress is being made towards achieving our long-term strategic goals and objectives.

The OIG recognizes that strategic planning supported by performance goal setting and measurement is an ongoing and evolutionary process that requires continuous monitoring. We further recognize the importance of results-oriented goals and alignment with the Corporation's strategic goals and objectives. Accordingly, we will continually reevaluate our strategic and performance plans and goals to ensure consistency with the objectives of the Results Act in concert with the IG Act and the Corporation's goals.

OIG Mission and Vision

Our Mission Statement

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 the stability of, and public confidence in the nation's financial system. We accomplish our mission by conducting independent audits, investigations, and evaluations, and by keeping the Chairman and the Congress fully and currently informed of our work.

Our Vision Statement

“By conducting independent audits, investigations, and evaluations, we act as agents of positive change, striving for continuous improvement in and protection of FDIC programs, operations, and management. We are committed to the Congress and the American public to promote good government, and to create an environment where our employees have an opportunity to learn and excel and are proud of their work.”

OIG Values

The OIG has adopted the following principles to guide us in achieving our mission, goals, and objectives:

Independence, objectivity, and integrity. The OIG strives to provide maximum service to the Corporation, while always adhering to these basic tenets of the IG Act.

Quality. The OIG's products and services must always be of the highest quality. They are defined by their accuracy, fairness, and usefulness to our customers.

Continual improvement. The OIG acknowledges that growth and vision are crucial to the success of our office. We will perform audits and reviews with OIG staff, to the extent practicable, to promote a solid base of institutional knowledge. We must learn from the past and anticipate and prepare for the future. We are committed to taking actions, whenever necessary, to adapt to a changing environment.

Respect. The OIG respects all of its employees because they are important, trusted, and the key to continued improvement of our services to all customers.

Accountability. The OIG works toward ensuring that all employees have a clear understanding of what is expected of them. Each individual is responsible for his or her actions and should be mindful that these actions always reflect on our customers' perception of the OIG.

Communication. The OIG strives for an environment of open and honest communication both among our people and with our customers. We will build responsive and constructive relationships with corporate officials based on a shared commitment to improving program and operational effectiveness.

The OIG also embraces the Corporation's core values that follow:

Effectiveness. The FDIC's reputation rests on its professionalism, its adherence to the highest ethical standards, and its skilled and dedicated workforce.

Responsiveness. The FDIC responds rapidly, innovatively, and effectively to risks to the financial system. It works effectively with other federal and state regulators to achieve uniformity in policy and regulation. It seeks and considers information from the Congress, the financial industry, individuals seeking and receiving financial services, and others outside the FDIC in the development of policy. In the development and execution of these policies, the FDIC seeks to minimize regulatory burden while assessing industry's risk management practices and addressing the FDIC's statutory responsibilities.

Teamwork. The FDIC challenges its employees to work cooperatively across internal and external organizational boundaries, and promotes and reinforces a corporate perspective.

Fairness. The FDIC treats everyone with whom it deals fairly and equally. It exercises its responsibilities with care, precision and impartiality. It promotes a work environment that is free of discrimination and that values diversity. The FDIC adheres to equal opportunity standards.

Service. The FDIC's long and continuing tradition of public service is supported and sustained by a highly skilled and diverse workforce that responds rapidly and successfully to changes in the financial environment.

6-Year Strategic Outlook

The OIG has adopted strategic goals and objectives which are included in this plan and have also been incorporated in a separate OIG Strategic Plan. This section of the OIG's Annual Performance Plan summarizes the OIG's strategic outlook as we continue to strive to achieve our mission through accomplishment of our strategic goals and objectives.

The Environment of Corporate Challenges

The strategic outlook for the OIG, established within the corporate environment, must necessarily give primary consideration to the challenges that the Corporation will face now and in the future in meeting its mission to contribute to stability and public confidence in the nation's financial system. Accordingly, the OIG must continually evaluate major corporate challenges and issues in order to identify corporate vulnerabilities (to fraud, abuse, and inefficient, uneconomical and ineffective activities) that we must address to meet our mission under the Inspector General Act.

We have identified major issues and challenges we believe the Corporation is currently facing and will continue to face during 2001 and the next several years. We have communicated these issues to the Chairman, the Congress, and others through our Semiannual Reports to the Congress. These issues and challenges are:

- Addressing risks to the insurance funds;
- Supervising insured institutions and protecting consumer interests;
- Maximizing returns from failed institutions;
- Managing information technology;
- Ensuring sound controls and oversight of contracting activities;
- Addressing human capital issues; and
- Continuing to focus on measuring corporate results consistent with concepts established under the Government Performance and Results Act.

OIG Strategic Challenges

The OIG is faced with the challenge of designing audit, evaluation and investigative strategies which provide the highest value, or greatest return, in identifying and minimizing the vulnerabilities and risks the Corporation faces as it addresses the formidable challenges delineated above. The strategic goals and objectives presented in this document, along with specific annual goals, are intended to provide a value-added focus and direction to OIG work. Consistent with these goals and objectives, we have developed a number of more specific strategies and initiatives to help ensure that we continue to move in the direction of increasing the value of our work. These strategies and initiatives, many of which are currently underway,

will continue into subsequent years. Described in more detail in the **Means and Strategies** section of this document, these initiatives include OIG's commitment to the following:

- More performance-type audits which address underlying systemic issues;
- Improved targeting of audit work to meet client needs;
- More timely communication of audit results during the audit process;
- Continuing to provide professional advisory services to corporate management;
- Increased role with GAO in conducting the Corporation's annual financial statement audit, ultimately leading to OIG's full assumption of this responsibility;
- Designing audit and evaluation work to address Government Performance and Results Act concepts and issues;
- Implementing various audit process and system improvements;
- Developing and implementing proactive investigative initiatives;
- Expanding cooperative efforts with the Division of Resolutions and Receiverships to address asset concealment and restitution issues;
- Identifying and investigating open bank fraud allegations;
- Focusing investigative efforts and resources on combating electronic fraud;
- Continuing to support and participate in PCIE activities;
- Implementing various strategic diversity initiatives;
- Maintaining a separate, full service Human Resources Branch to serve both headquarters and field OIG staff to ensure independence in personnel actions and decisions;
- Seeking to establish a separate OIG function for handling Freedom of Information Act and Privacy Act requests and appeals involving OIG records; and
- Implementing actions and processes to ensure that the OIG builds an organization that continually learns and grows and is capable of meeting future challenges.

To summarize our 6-year strategic outlook, we believe our strategies and initiatives provide us with an effective framework to meet future challenges and continue to provide increasing value to the Corporation and other OIG stakeholders consistent with our mission under the Inspector General Act.

Workload Assumptions

As stated in the mission statement, the OIG views its work in terms of meeting the statutory mandates of the IG Act and assisting the Corporation in accomplishing its mission. As such, many of the Corporation's workload assumptions were considered in developing our plans, projected staffing, and budget estimates for 2001. These include assumptions related to projected bank failures, safety and soundness examinations, compliance and Community Reinvestment Act examinations, consumer complaints and inquiries, receivership assets, and contract awards and purchases. In addition, OIG-specific assumptions and projected values for 2001 that were used in planning the OIG's workload and allocating our resources accordingly are shown below.

- 60 Hotline complaints received
- 15 Congressional inquiries received
- 40 Freedom of Information Act/Privacy Act requests received
- 5 Freedom of Information Act appeals
- 40 Subpoenas issued
- OIG will increase its level of responsibility with GAO in performing the financial statement audit

The OIG workload is not driven solely by the corporate workload factors or the above-delineated OIG-specific factors. Consistent with the IG Act, the OIG workload is driven primarily by independent OIG determinations of risk or vulnerability of corporate programs or activities, including considerations of fraud and abuse, and economy and efficiency. Major areas of corporate vulnerability are briefly presented in the **6-year Strategic Outlook**. Major OIG strategies and initiatives to address corporate vulnerabilities are referred to in the **6-Year Strategic Outlook** and discussed in the **Means and Strategies** section of this plan.

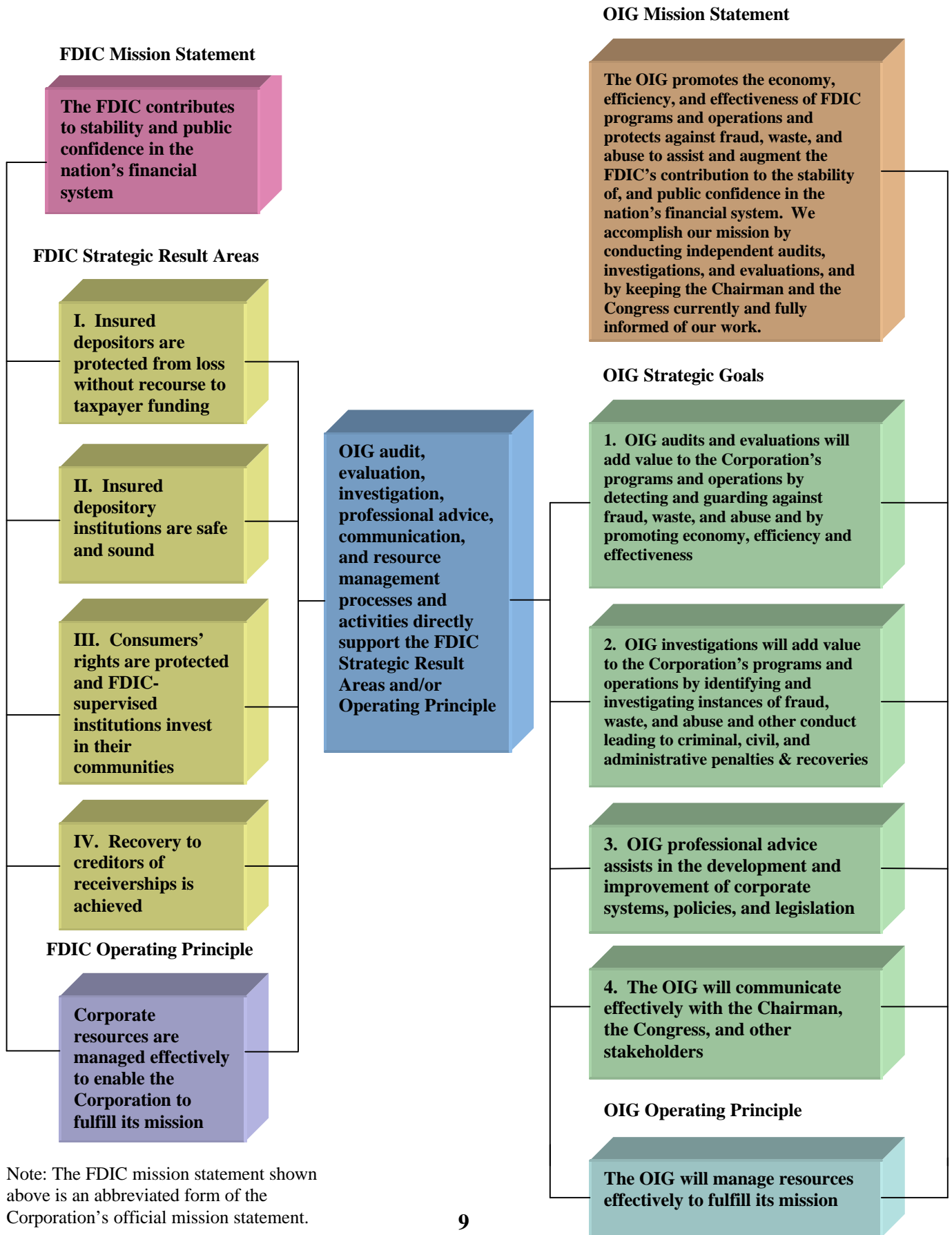
OIG Strategic Goals, Objectives, and Annual Performance Goals

The 2001 Annual Performance Plan builds upon the strategic goals and related supporting objectives that are laid out in the OIG Strategic Plan (1999-2004). This year's plan reflects several changes that were made to the strategic objectives to streamline and eliminate overlap and duplication of some goals and objectives. These changes are summarized in the Appendix on page 26. The 2001 performance plan identifies 31 specific annual performance goals that the OIG will accomplish during the year to help us achieve our long-range goals and objectives. These annual performance goals as well as the strategic goals and objectives are presented in tree diagram format on the next six pages. Page 9 presents the OIG's mission statement, strategic goals, and operating principle in relation to the FDIC's mission statement, strategic result areas, and corporate operating principle. As portrayed on this page, the OIG's strategic goals and operating principle link to and directly support the FDIC's strategic result areas as well as the corporate operating principle. Presented separately on pages 10-14 are the OIG's four strategic goals and the related objectives and annual performance goals.

- Strategic Goals 1 and 2 address the core audit/evaluation/investigative activities. Strategic Goals 1 (Audit/Evaluation) and 2 (Investigation) include strategic objectives and related annual performance goals and measures which are linked to key concepts indicative of value – Client Satisfaction, Timeliness, Quality, Productivity, and Impact/Results.
- Strategic Goal 3 incorporates professional advisory services that go beyond the traditional core audit, evaluation, and investigative services. These include such activities as participating on FDIC task forces, reviewing proposed corporate internal policies, analyzing new regulatory and legislative proposals, and reviewing the Corporation's internal control review process.
- Strategic Goal 4 addresses external communication with the Chairman, Congress, and other stakeholders. This goal covers activities such as the OIG's Semiannual Report to Congress; Hotline complaints; Freedom of Information and Privacy Act requests; Chairman's requests and congressional inquiries; and President's Council on Integrity and Efficiency-related activities.

In addition to the four strategic goals, OIG has adopted an Operating Principle that encompasses key internal OIG resources that are essential to the achievement of the OIG's mission. The principle commits OIG to the effective management of resources related to staffing; information technology; professional standards and internal controls; communications; legal advice; and administrative services. The OIG's Operating Principle closely parallels the Corporation's Operating Principle and relates only to internal OIG services and activities; whereas the four strategic goals involve OIG external interactions with stakeholders. As an internal operating principle rather than a goal for providing services to OIG clients, detailed annual performance goals for these activities are not included in this plan but are maintained in a separate subsidiary plan.

Tree Diagram of OIG Goals and Objectives for 2001

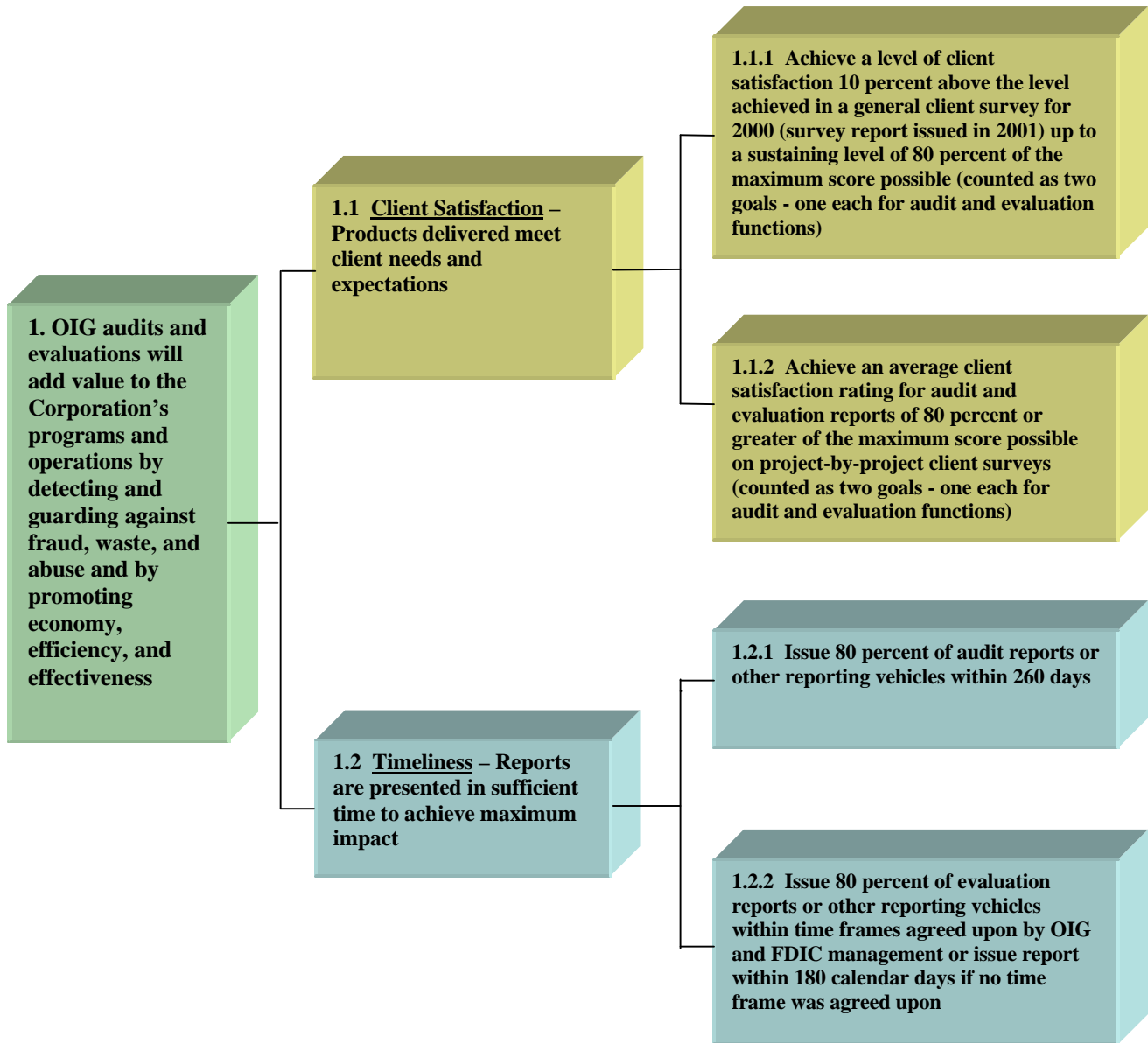


Note: The FDIC mission statement shown above is an abbreviated form of the Corporation's official mission statement.

**OIG
Strategic Goal 1**

**Related
Strategic Objectives**

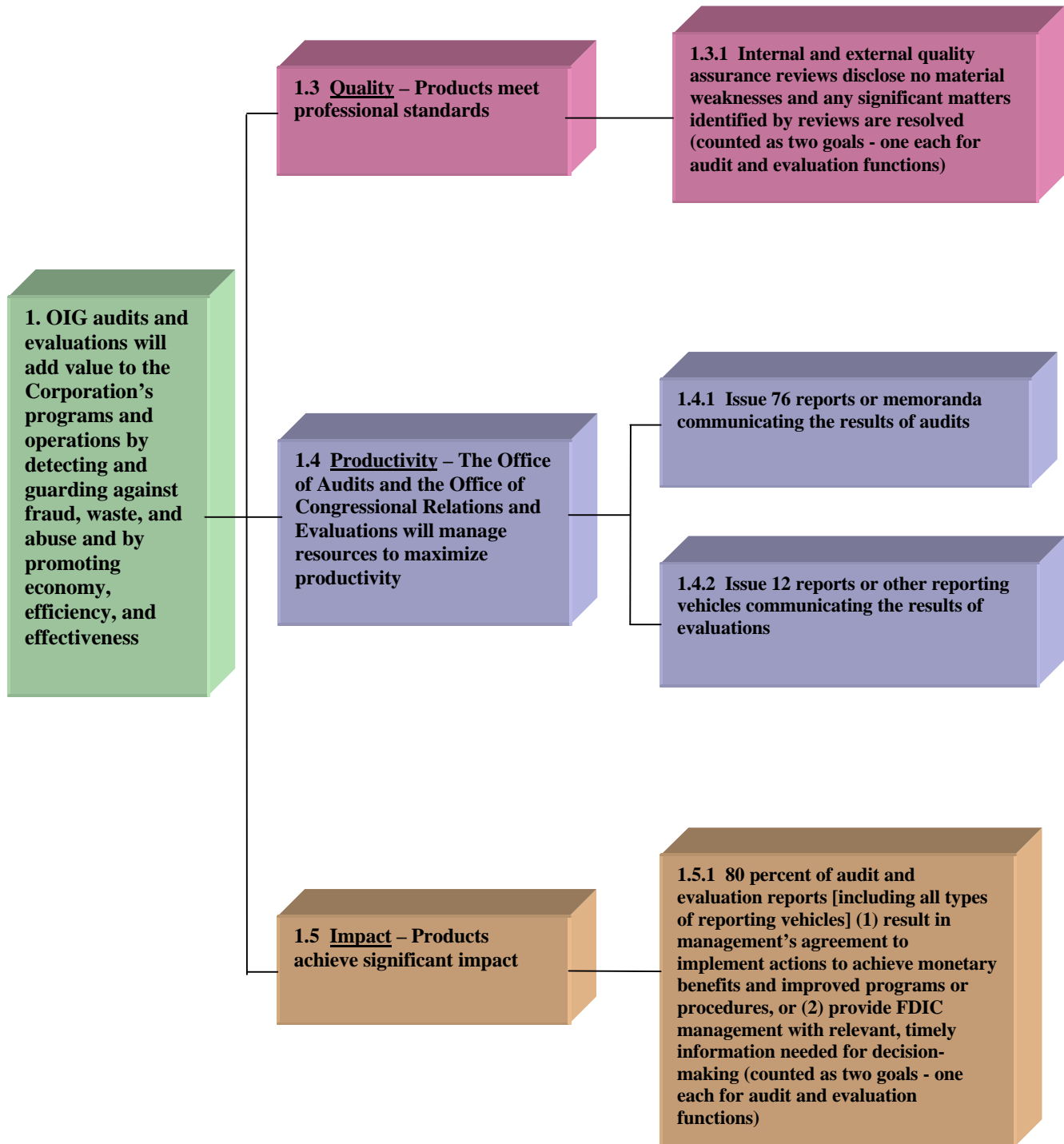
**Related 2001 Annual
Performance Goals**



**OIG
Strategic Goal 1**

**Related
Strategic Objectives**

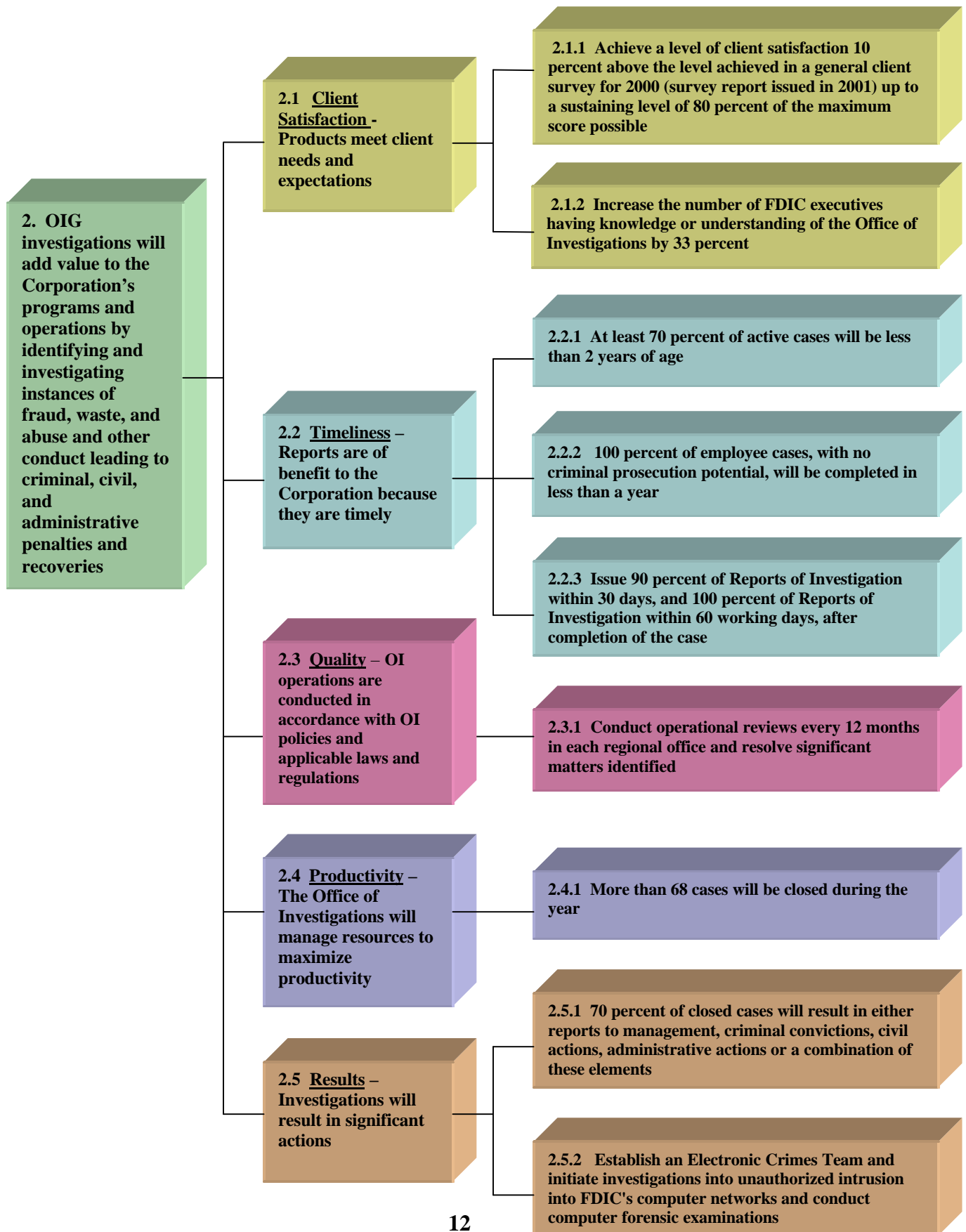
**Related 2001 Annual
Performance Goals**



**OIG
Strategic Goal 2**

**Related
Strategic Objectives**

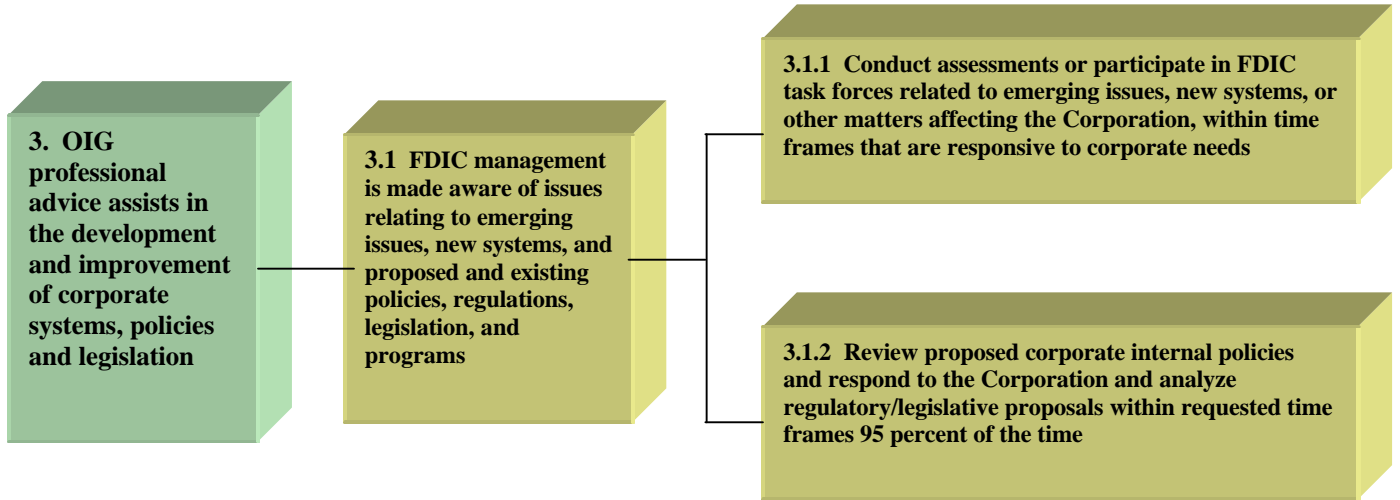
**Related 2001 Annual
Performance Goals**



**OIG
Strategic Goal 3**

**Related
Strategic Objectives**

**Related 2001 Annual
Performance Goals**



**OIG
Strategic Goal 4**

**Related
Strategic Objectives**

**Related 2001 Annual
Performance Goals**



Means and Strategies

This section provides a brief description of the key activities and operational processes; major strategies and initiatives; human resources; and information technology requirements that are critical to achieving the OIG's goals and objectives.

Key Activities and Operational Processes

The OIG has implemented a comprehensive nationwide structure for auditing, investigating, and performing reviews of FDIC programs and operations. The OIG performs full scope audits, reviews, and evaluations of corporate and receivership activities as well as residual Resolution Trust Corporation business matters. We also perform quick, short-term reviews and evaluations of specific FDIC operations at the request of the Board of Directors, the Congress, OIG Hotline, and senior FDIC managers. The OIG also investigates suspected criminal or otherwise prohibited activity affecting FDIC or its programs and has close and continuous working relationships with the U.S. Department of Justice, the Federal Bureau of Investigation, the U.S. Secret Service, other Offices of Inspector General, and state and local law enforcement agencies.

Independent legal services for the OIG, provided by the Counsel to the Inspector General, are a key activity. Counsel's services encompass every facet of OIG operations, including performing research and providing legal advice, counseling, or opinions on audit-, investigative-, and management-related topics; conducting, or assisting with, litigation affecting OIG, including personnel issues; preparing subpoenas, and seeking to enforce them when necessary; reviewing proposed legislation and regulations affecting FDIC; and processing requests under the Freedom of Information Act or the Privacy Act and any related appeals; representing and negotiating on behalf of OIG clients vis-a-vis other officials within the FDIC, other government agencies, Congress, or other persons outside the FDIC.

Effectively managing the OIG's business activities is essential to OIG operations. The OIG's Office of Management and Policy is responsible for this activity and handles an assortment of responsibilities associated with budgets and financial management, contract administration, human resources, employee development and training, coordination of office-wide policy development and communication, information systems development, and the OIG's computer network. This unit also operates the OIG Hotline to receive and screen allegations of fraud, waste, and mismanagement, and ensure an appropriate disposition; coordinates the OIG's comments on draft corporation policies and procedures; and coordinates the writing and production of the OIG's semiannual report to the Congress that is required by the Inspector General Act.

Ensuring the quality of OIG work is a high priority. The Office of Quality Assurance and Oversight is responsible for maintaining quality assurance programs for OIG activities; coordinating internal initiatives for continual improvement and organizational learning; performing external quality assurance reviews of other OIGs; internal coordination and external oversight of internal control activities under the Chief Financial Officers Act and the Federal Managers Financial Integrity Act; and internal and external coordination of strategic planning and performance measurement activities under the Results Act.

The audit planning function is one of the key processes within the OIG. In 1996, we developed for the first time, a 5-year strategic audit plan. Again, we are in the process of developing another multi-year plan. This plan, like the last plan, will target audit coverage to areas of corporate importance and/or perceived vulnerability. The proposed audits in the Plan can be directly linked to FDIC's primary missions, and the strategic goals and objectives that are described in FDIC's 2000 Annual Performance Plan. Also, a concerted effort was made to incorporate audit efforts that may be useful to FDIC management as it considers and formulates policy regarding emerging issues. These audits are ranked according to a variety of risk factors that include, for example, materiality, fraud and abuse potential, and the adequacy of internal controls. Our audit strategy balances the need to conduct "high-risk" audits along with those audits that are needed to ensure essential coverage of other FDIC activities. The annual audit plan, which is the next step in the planning process, will then identify the specific audits that need to be performed based on input from FDIC management and more in-depth review of audits in our universe and audit plan.

Another key OIG process is the review of allegations received by our investigations staff. These allegations need to be carefully evaluated to determine whether opening an investigation is warranted. Since the initial information provided by an allegation is frequently insufficient to form the basis for opening an investigation, we often must "test" the information with key interviews or file reviews. The results of these activities are then compared to the allegation and a determination is made to either open an investigation or close the complaint file. As part of this evolution process, OI places emphasis on opening cases that have a greater potential for adding value to the Corporation.

Major Strategies and Initiatives

We are implementing various major strategies and initiatives that will help us achieve our goals and objectives and assist the Corporation in accomplishing its mission. These strategies and initiatives directly relate to our strategic goals and objectives. Although certain of the strategies and initiatives may affect more than one strategic goal, we have grouped them below in general categories related to the strategic goal with which they are most closely aligned.

The following major strategies and initiatives are consistent with Strategic Goal #1 which states "OIG audits and evaluations will add value to the Corporation's programs and operations by detecting and guarding against fraud, waste, and abuse and by promoting economy, efficiency, and effectiveness."

- *More Performance-type Audits* – To improve the effectiveness of our audit resources and make our audits more useful to FDIC management, we plan, when appropriate, to broaden the focus of our audits to include more performance-type auditing. That is, we will concentrate more on audits that identify the systemic causes of noncompliance, and recommend program-wide improvements rather than perform many narrowly scoped audits of smaller segments of a program, such as individual contractors or law firms.
- *Target Audit Work to Customer Needs* – To improve the usefulness of our audit efforts, we will periodically survey our customers' needs and refocus our efforts accordingly. If management perceives heightened risk in any area of the Corporation's activities or operations, we will adjust audit coverage as appropriate based on our evaluation. We will

also obtain input from our customers to determine their satisfaction with our work. Also, we will measure such things as the timeliness of our reports, the effectiveness of our recommendations, and the relevance and impact of our reviews. This information will be gathered through survey questionnaires, oral briefings, follow-up reviews, and other feedback mechanisms.

- *Increased Role in Financial Statement Audit* – The Chief Financial Officers Act requires that government corporations have their financial statements audited annually and that corporations submit an annual management report to the Congress. The U. S. General Accounting Office (GAO), the FDIC auditor of record, has a legislative mandate to conduct an audit of the Corporation’s financial statements. GAO and the FDIC OIG have established a plan whereby the OIG would work toward assuming a greater role in the audit with the ultimate goal of becoming auditor of record. The OIG has devoted extensive resources to this effort and plans to work to bring about the necessary legislative change to shift full responsibility for the audit to the FDIC OIG. The Corporation will benefit through OIG efforts to streamline the audit process and provide cost savings to the Corporation.
- *Designing Audits and Evaluations to Address Results Act Concepts* – In considering and performing our audits and evaluations, a key goal is to assess the manner and extent to which all FDIC programs and activities achieve their intended objectives, as outlined in the FDIC Strategic Plan. Accordingly, we are beginning to incorporate review steps in our audit and evaluation work related to corporate implementation of the Government Performance and Results Act (Results Act). Under the Results Act, Federal agencies including the FDIC are required by March 31, 2000, to submit to the President and Congress annual performance reports showing the results of their performance against their plans. We have initiated a program of independent reviews to evaluate the adequacy and reliability of selected information systems and data supporting FDIC performance plans and reports. As part of this effort, we have developed a standard work program to conduct these evaluations. We are mindful that, consistent with Results Act requirements, management will use the results of our audits and evaluations to establish and revise strategic goals, strategic objectives, and annual performance goals as appropriate.
- *More Scrutiny of Audit Surveys to Target Audit Work* – To ensure we conduct our audits in needed areas and provide adequate coverage of corporate programs, we will emphasize a more formal evaluation of the benefits of continuing an audit at the end of the survey or initial stage of an audit. The scope of the audit will then be appropriately adjusted. For those audits that we decide to discontinue, we will reallocate resources to higher risk audit areas.

The following major strategies and initiatives are consistent with Strategic Goal #2 which states “OIG investigations will add value to the Corporation’s programs and operations by identifying and investigating instances of fraud, waste, and abuse and other conduct leading to criminal, civil, and administrative penalties and recoveries.”

- *Developing and Implementing Proactive Initiatives* – The OIG has developed and is implementing a series of proactive initiatives designed to enhance the impact of OIG investigations. Our proactive work targets specific high-return, high-risk areas involving the FDIC mission. These areas include: 1) concealment of assets by FDIC debtors including those who are obligated to pay court-ordered restitutions, 2) fraud and false statements to the

FDIC in order to secure favorable loan compromises and settlements, and 3) ongoing schemes to defraud solvent banks. We have been meeting with internal program managers and external entities such as bankruptcy trustees, probation officers, and the Department of Justice to make them aware of our existence, expertise, and willingness to consider these cases.

- *Expanded Cooperative Efforts with DRR* – In our efforts to proactively deter fraud, waste, abuse, and mismanagement, the OIG has expanded its cooperative effort with the Division of Resolutions and Receiverships (DRR) to address asset concealment and court-ordered restitution collection issues. We have developed a protocol to share information and resources with DRR, which tracks such outstanding debt for the Corporation. In this way, we will identify new “concealment of assets” related crimes and can cooperatively work more effectively to recover a larger percentage of court-ordered restitutions.
- *Solvent/Insolvent Banks* – OIG continues to meet with FBI officials throughout the country to advise them of our interest in this area. Both offices have pledged cooperation with each other to investigate open bank fraud allegations. We currently are working with the FBI on several cases that impact FDIC’s programs. Also, we are undertaking a proactive initiative involving review and analysis of Suspicious Activity Reports (SAR) which financial institutions are required to file with the Financial Crimes Enforcement Network, or FinCen, to report suspected violations of law. The purpose of the project is to identify and target instances of fraud at financial institutions that may warrant OIG investigation. Another goal of the project is to identify potential patterns of fraud affecting FDIC-regulated institutions that may suggest areas of vulnerability requiring audit attention. Systems improvements currently underway will soon allow the OIG to extract and download SAR data maintained by the IRS Detroit Computing Center onto our own computers. We plan to create our own database, design queries, and produce reports for proactive targeting. We will then be able to conduct and sort specific queries to identify cases warranting our attention.
- *Electronic Crime Team* – As computers continue to become a major part of the business operational environment, the risk of electronic-related fraud has increased. The Office of Investigations is committed to meet the needs of FDIC and the banking community to combat electronic fraud. As a result, the OIG is in the process of establishing an Electronic Crimes Team to investigate unauthorized intrusions and computer related fraud, and to conduct computer forensic examinations. As part of this initiative, OI is currently training agents on how to search, seize and analyze computer systems encountered during the course of an investigation, and during the execution of a search warrant.

The following major strategies and initiatives are consistent with OIG Strategic Goals #3 and #4 relating to providing professional advice to Corporation management and communicating effectively with the Chairman, Congress, and other stakeholders.

- *More Timely Communication of Audit Results* – To ensure that we make more timely recommendations, we will provide earlier feedback on our results. For example, during our audits of the implementation of automated systems, we will work closely with management to provide immediate recommendations for improvements up-front as critical decisions are being made, not after the fact.

- *Providing Professional Advisory Services* – The OIG will continue to focus its efforts and resources on providing professional advisory services to FDIC management and respond to management’s requests for advice and technical assistance. For example, the OIG will continue to proactively comment on draft FDIC policies, regulations, and legislation affecting FDIC programs and operations; cooperate fully in litigation involving the Corporation, including joint cases involving OIG; assist FDIC in improving its operations and internal controls through participation on FDIC task forces; and advise and consult with management regarding required Results Act documents and activities, as well as work with interagency Results Act interest groups. We recognize that management is accountable for their programs’ success or failure; and we believe our role is to assist management with such efforts, without sacrificing our independence and objectivity.
- *Providing Overview of Investigative Process* – To help foster a better understanding and appreciation of OIG's investigative mission we will continue to provide "lessons learned" such as was done for the Keystone investigation, and to provide a training module for the Division of Supervision that will be providing an overview of the investigation process, alert examiners to possible red-flags or signs of fraud and or obstruction, and provide guidance on making referrals and coordinating with the OIG regarding suspected fraud.
- *Establish Separate OIG Function for FOIA Requests and Appeals* – The OIG will renew its efforts to obtain a delegation of authority from the FDIC regarding requests and appeals under the Freedom of Information Act and the Privacy Act, whereby the OIG would receive, process, disclose, or, when necessary, withhold OIG records or information responsive to such requests, without further concurrence by the FDIC, unless non-OIG FDIC records are involved. The function of processing FOIA requests and appeals is held by many of the other inspectors general within the federal government. Maintaining this function in the OIG would enable the OIG to better protect the sensitivity of its records, and would decrease the response time due to fewer layers of review than under current FDIC procedures.
- *Continue to Support and Participate in PCIE Activities* – The OIG will continue its active role in support of the activities of the inspector general community. This includes the Inspector General’s role as vice-chairman of the President’s Council on Integrity and Efficiency (PCIE) and support of other PCIE activities, initiatives, and committee involvement.

The following major strategies and initiatives are consistent with the OIG Operating Principle that states “The OIG will manage resources effectively to fulfill its mission.”

- *Making Audit Process and System Improvements* – The OIG has initiatives in several areas to improve our audit processes and systems that will enhance the overall efficiency and effectiveness of audit operations. These efforts include expanding the pilot program for automated workpapers; implementing an improved audit report tracking system; and continuing efforts to improve the audit reporting process.
- *Implement Strategic Diversity Initiatives* – The OIG is committed to ensuring an inclusive work environment that provides each employee the opportunity to reach his or her full potential in accomplishing OIG’s mission. In May 1999 the FDIC Board of Directors approved the FDIC’s first Corporate Strategic Plan on Diversity. In June 1999, an internal

OIG diversity task force produced a “Report on OIG Workplace Diversity,” which identified diversity issues within our office and provided suggestions for us to act on over the next few years as we move forward. This report was provided to a House appropriations subcommittee. The Inspector General designated an OIG official to be the focal point to coordinate carrying out initiatives from the corporate plan and our internal diversity study. These initiatives include an employee feedback assessment process to assess diversity issues and employee morale. The IG has also established an OIG Employee Advisory Group to consider a wide range of employee issues, including diversity. OIG also provided executive sponsors in connection with the FDIC’s corporate-wide diversity training.

- *Continue to Build the OIG into a Learning Organization* – We will continue the project we initiated to build the OIG into an organization that continually learns and grows and is capable of meeting future challenges. Based on an organizational self-assessment, we have developed and will continue to implement action plans to address the concepts of value, trust, communication, OIG role, flexibility, and success.
- *Identify and Develop Information Technology (IT) Strategies* – We will utilize an ongoing OIG IT Task Group to continue to implement the OIG IT Plan as well as to identify our IT needs for 2001 and develop strategies to meet those needs.
- *Evaluate OIG Training and Professional Development Needs* – We will complete a study of the OIG’s training and professional development programs. In conjunction with the results of the study, we will revise or redesign the programs as warranted.
- *Develop an Overall OIG Communications Strategy* – During the year, the OIG will undertake a development effort to produce a comprehensive strategy for strengthening and refining our communications activities.
- *Maintain Separate OIG Human Resources Function* – In accordance with the Chairman’s July 6, 1998 memorandum to the Inspector General, the OIG established an independent full service human resources office in September 1999, and assumed full responsibility for all personnel functions previously performed by the Corporation’s Personnel Services Branch. The Inspector General will have the authority for OIG personnel functions as described in the Inspector General Act and FDIC’s personnel delegation of authority. The Human Resources Branch will fully comply with the laws and regulations pertaining to FDIC personnel. The establishment of the Branch will not impact OIG employee salaries and benefits.
- *Establish Legal Workflow Tracking System* – During 2000, the OIG’s Office of Counsel (OC) developed a new workflow tracking system that will assist OC in tracking the measures and goals that have been established under the strategic and annual performance plans. The new workflow tracking system is designed to track the various categories of legal and administrative work that OC does and includes information about due dates and completion dates.

Human Resources (Staffing and Skills Requirements)

Staffing

Authorized OIG core staffing for December 31, 2000 is 220; authorized core staffing for December 31, 2001, is 218. During 2001, the OIG does not anticipate hiring unless we experience above average attrition or attrition in key positions. Any new hiring will fill authorized vacancies and replace retiring staff. All OIG auditors, criminal investigators, and attorneys must comply with their respective continuing professional education requirements.

The OIG continues to work toward assuming responsibility from the General Accounting Office (GAO) for performing the annual audit of the Corporation's financial statements. The OIG, which works in cooperation with GAO on the audit, will dedicate 20 staff years to the audit for 2001 through 2005, or 4 fewer staff than last years' projections. The OIG anticipates its financial audit staff will increase efficiency while assuming more responsibility from GAO.

Skills Requirements

Reviewing FDIC programs and operations requires a staff with a broad range of knowledge, skills, and abilities. The OIG staff is comprised of auditors, criminal investigators, attorneys, program analysts, computer specialists, and administrative personnel. This highly professional staff holds numerous advanced educational degrees and has attained professional certifications, including certified public accountants, certified internal auditors, and certified fraud examiners. To maintain professional proficiency, each of our staff attains an average of about 50 hours of continuing professional education and training annually. OIG staff must also possess and maintain the necessary skills and abilities of their respective disciplines in order to meet the unique objectives and challenges of their assignments. For example:

- *Auditors* are required to have knowledge of accounting principles and the methods and techniques applicable to government auditing; knowledge of government organizations, programs, activities, and functions they are reviewing; and the skills to communicate clearly and effectively, both orally and in writing. In addition, depending on the type of audit being conducted, auditors may have to possess statistical sampling skills, computer audit skills, or other specialized skills as needed.
- *Criminal investigators* are required to have a thorough and current knowledge of laws concerning search and seizure, arrests, advisement of rights, surveillance, and the right to privacy - both personal and financial. In addition to knowledge of accounting principles, they should also be proficient at interviewing and eliciting information from all types of sources. Because of the complex mission of the FDIC, in addition to the traditional skills associated with their activities, criminal investigators in the FDI OIG must have significant knowledge in Federal bank regulations and the unique accounting principles associated with modern financial-institution activities. Criminal investigators must be able to react quickly and appropriately to changing situations and be able to use their expertise in self-defense, use of force principles, and firearms. The OIG has several agents who are trained as instructors in defensive tactics and firearms. In addition to these investigative duties, these agents provide support and advice to our National Training Officer in administrating our training

program. We have allocated 165 hours annually for each special agent in the areas of training and professional development.

- *Attorneys* need to comply with continuing legal education requirements established by the applicable courts and the governing state bars to which the attorneys belong as a requirement for admission to practice law before the various federal courts, and to be more effective in representing the OIG.

New Skills Requirements

Banking activities related to cyberbanking, electronic cash, and other highly technical financial delivery systems pose increasing risks that may impact the safety and soundness of the banking industry and, consequently, the deposit insurance funds. In the current technological environment, the banking industry, which is becoming more globalized, is far more vulnerable to new types of electronic fraud. As such, we need to become more adept at combating computer-related fraud such as identity stealing; searching the Internet for banks operating in a fraudulent manner; and in searching computers that have been used in some manner for the commission of fraud. The transition to a “paperless” environment and a greater reliance on EDP systems underscores the need for OIG staff to possess the necessary computer skills and knowledge to audit and investigate effectively in this type of environment.

Information Technology

OIG will continue managing its own information technology and computer operations. During 2001, the OIG expects to continue developing modern information systems for managing its audits, investigations, and other activities. We also plan to upgrade/replace our desktop computer equipment and operating system software in conjunction with the timing, and conformity with the specifications, of corporate upgrades/replacements.

Impact of External Factors

The following external factors are beyond the OIG's control and could significantly affect the achievement of the goals and objectives in this plan.

Budget

One of the most significant external factors that affects achievement of our goals is our budget. Unlike other FDIC divisions and offices, the OIG is subject to the congressional appropriations process. Our approved staffing levels under the Corporation's core staffing initiative decreases from 220 in 2001 to 200 in 2005 and corresponding budgets will reflect decreased staffing levels, inflationary factors, and funding for outside contracting as needed. A significant further decrease in personnel or dollar resources would adversely affect the achievement of our strategic goals and objectives by limiting our ability to review FDIC programs and activities; respond to allegations of fraud, waste, and abuse; and provide training to our professional staff.

External Requests and Requirements

The OIG sometimes has to respond to external requests and requirements beyond that planned for in our workload and resource estimates. The requests often require immediate response and shifting of work. Examples include congressional inquiries, Chairman and management requests, litigation, hotline complaints, or other high priority requests for audits, evaluations, and investigations. These requests can require substantial amounts of time and resource expenditures that are not easy to accommodate and which impact our planned workload demands. An increase in external requests above projected levels may have an adverse effect on meeting our stated goals and objectives.

Economy

The performance of the economy at the national and regional levels affects the way the banking industry carries out its business strategies and may affect the industry's performance. Changes in the business cycle, interest rates, the rate of inflation, and unemployment rates may influence the lending and funding strategies of FDIC-insured depository institutions. Economic conditions can have a significant effect on the risk profiles of FDIC-insured financial institutions.

The current economic situation has had a positive effect on the banking industry. Recent bank failure activity has been low and the inventory of assets in liquidation has been decreasing. Consequently, the OIG has devoted fewer resources to receivership management activities over the last few years. However, an economic downturn could result in a higher rate of financial institution failures and an increase in the inventory of assets to be managed and liquidated. An increase in institution closings and assets to be liquidated could adversely impact achievement of the OIG's goals and objectives by requiring a reallocation of resources from planned program area activities to unplanned receivership management activities. Also, the closing of institutions increases the risk of fraud, which could affect the workload and allocation of resources for investigative work.

Emerging Technology

Emerging technology has introduced new ways for insured depository institutions to offer traditional products and services through new delivery channels and, in some instances, to develop innovative products and services. Examples of this new technology include Internet banking, electronic cash, and stored-value card systems. Technological advancements have influenced the operating strategies of many insured depository institutions and other providers of financial services as they seek to compete in the increasingly fast-paced and globally interdependent environment. With these technological advancements, particularly the increase use of electronic banking initiatives, there is a potential risk that fraud and other inappropriate activity may occur. This could require a reallocation of OIG resources to ensure that these risks are appropriately addressed.

Possible Legislative Initiatives

Various legislative proposals have been introduced in Congress that, if passed, could significantly affect the duties, responsibilities, and reporting requirements of Offices of Inspector General. These proposals include:

- *The Inspector General Act Amendments of 1999 (S. 870)*, which would establish a renewable 9-year term for presidentially appointed Inspectors General; require that all OIGs undergo an external review by GAO or an appropriate private entity every 3 years to evaluate their management and controls of contracts, appropriated funds, and personnel actions; require annual reports rather than semiannual reports to be submitted to Congress; consolidate certain smaller OIGs into some of the larger, department-wide offices; and prohibits Inspectors General from receiving cash awards or bonuses.
- *The Government Information Security Act*, contained in the Department of Defense Authorization Act (S. 2550), which would, among other things, require (1) agencies to develop, implement, and test detailed programs and processes regarding information security; and (2) OIGs to perform annually an evaluation of the agency's information security program and practices.
- *The Fiscal Year 2001 Treasury-Postal Appropriations Act (H.R. 4516)*, which would require OIGs to submit a report to Congress regarding their respective agency's collection of personal data from individuals who access the agency's Internet site. The report must also address any agreements that the agency has with contractors for collection of such data.

The passage of these bills or similar legislation would increase OIG's legislatively mandated work and require additional resources or a reallocation of resources to accomplish this work.

Verification and Validation of Performance Data

Performance data will be verified and validated through the following means:

- The System for Tracking Audits and Reports (STAR) tracks information on audit and evaluation projects, reports, recommendations, time, and independent public accountant projects, and provide managers with reports on those activities. STAR is used to generate performance measurement data reported under the Results Act 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 is used to ensure the validity and integrity of the performance data and reports.
- During 1999, the OIG's Office of Investigations developed a new database system designed specifically in part, to more accurately track the measures and goals we have established under the strategic and annual performance plans. The new database system tracks information on investigative cases opened and closed; fines, restitutions, 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 our database. Each office will be formally reviewed at least once every 12 months, with one or more smaller reviews conducted in the interim.
- Designated OIG staff will be responsible for collecting, maintaining, and reporting performance data. Through our quarterly performance reports, OIG management will review reported data for consistency with general performance observations. Each year, we will reevaluate whether measures are effectively designed and results-oriented. Based on this evaluation, we will determine whether our performance measures are properly focused and should be revised for the next planning cycle.
- Internal quality assurance reviews, performed on a cyclical basis to cover all OIG functions (audits, investigations, evaluations, and administrative activities), will selectively validate performance data on a test basis as appropriate to meet review objectives.

Appendix – Summary of Changes to Strategic Objectives

- Under Strategic Goals 1 and 2, the two relevance strategic objectives were removed as a separate objective and incorporated into the Impact/Results Strategic Objective. This streamlined the total number of Value-Added Strategic Objectives from six to five.
- Under Strategic Goal 3, the two strategic objectives were combined to eliminate overlap and duplication.
- Under Strategic Goal 4, the word “public” was added to Strategic Objective 4.1 to clearly indicate that the public is also an OIG stakeholder and should have an understanding of the OIG’s role, mission, and operations and are informed of problems, deficiencies, and the status of significant issues and ongoing efforts.