



## U.S. COMMODITY FUTURES TRADING COMMISSION

Three Lafayette Centre  
1155 21st Street, NW, Washington, DC 20581  
Telephone: (202) 418-5110  
Facsimile: (202) 418-5522

Office of the  
Inspector General

### MEMORANDUM

**TO:** Edward Kelley  
Inspector General, Federal Housing Finance Board

**FROM:** A. Roy Lavik *ARL*  
Inspector General, Commodity Futures Trading Commission

**DATE:** March 14, 2006

**SUBJECT:** Quality Assessment Review of the Investigative Function of the Federal Housing Finance Board Office of the Inspector General.

The Office of the Inspector General (OIG) of the Commodity Futures Trading Commission (CFTC) completed a Quality Assessment Review of the Federal Housing Finance Board Office of the Inspector General for the period October 1, 2003 through December 31, 2005. The Quality Assessment Review disclosed that:

- *Office of the Inspector General at the Federal Housing Finance Board is in full compliance with the PCIE/ECIE Quality Standards for Investigations; and*
- *Training records for agents detailed to the OIG were not readily available. Due to the limited staff of the Federal Housing Finance Board (FHFB) OIG, the Inspector General supplements his core staff with agents detailed from other Offices of the Inspector General. The Quality Assessment Review (QAR) questionnaire (Appendix D Review Step B) requests that the review team ascertain the training received by Inspector General (IG) case agents. During our review these records were not available on site for detailed case agents. For FHFB-OIG case agents, the training records were readily available.*

As a result of this Quality Assessment Review, the CFTC OIG recommends that the Inspector General for the Federal Housing Finance Board:

- Establish a policy to acquire and maintain in its files a listing of the training received by agents detailed to the FHFB OIG; and
- Continue its compliance with the PCIE/ECIE Quality Standards for Investigations.

## BACKGROUND

In 2004, members of the Executive Council on Integrity and Efficiency (ECIE) agreed to conduct Quality Assessment Reviews of the investigative function at selected Offices of the Inspector General. On May 26, 2004, staff of the Commodity Futures Trading Commission OIG attended a presentation at the Inspector General Auditor Training Institute on how to conduct a Qualitative Assessment Review of the investigative functions of an Office of the Inspector General to determine compliance with the PCIE/ECIE Quality Standards for Investigations. Based on information received at that training session and several other presentations made by members of the President's Council on Integrity and Efficiency (PCIE) and ECIE, we planned and conducted a QAR of the Federal Housing Finance Board OIG.

One objective of the Quality Assessment Review, which should be conducted every three years, is to ensure that general and qualitative standards adopted by an OIG comply with the requirements of the PCIE/ECIE Quality Standards for Investigations. The investigative peer review assists the Inspectors General community in responding to the question: "Who is Watching the Watchdog?" If any peer review disagreements surface, the PCIE/ECIE Investigations Committee has the authority to resolve issues that cannot be mutually agreed upon by the QAR team and the office being reviewed.

## SCOPE AND OBJECTIVES

This Qualitative Assessment Review of the FHFB OIG covered the period from October 2003 to December 2005. This is the first independent qualitative assessment review of the investigative function at the FHFB Office of the Inspector General.

The objectives of this Investigative Peer Review were to:

- Provide reasonable assurances that applicable PCIE/ECIE investigative standards and policies were being followed; and,
- Provide an independent assessment of the effectiveness of the FHFB OIG's investigative program.

## METHODOLOGY

### Steps Required To Complete Objectives

1. Send a request to FBHB OIG for them to complete Appendix A, B & C which are contained in the *Qualitative Assessment Review Guidelines for Federal Offices of Inspector General-January 2004*.
2. Review FHFB OIG's reply to questions stated in Appendix A, B & C.
3. Schedule an entrance conference with FHFB OIG.
4. Schedule location and date for initiating review of FHFB OIG's investigation files.

5. Review FHFB OIG's investigation files according to PCIE/ECIE Investigative Standards.
6. Complete Appendix D *Qualitative Assessment Review Checklist For Reviewing Investigative Case Files* (place information on a spreadsheet, if necessary).
7. Resolve any issues that might arise after reviewing the FHFB OIG's investigation files.
8. Prepare draft report on this QAR.
9. Submit draft report to FHFB OIG for comments.
10. Review comments received on draft peer review report.
11. Prepare draft cover letter for peer review report.
12. Submit draft cover letter to CFTC-OIG for comment(s).
13. Issue final report and cover letter.

On August 31, 2005, we contacted the FHFB OIG regarding the scheduled QAR and agreed on the scope of this peer review. We submitted to the FHFB OIG a Qualitative Assessment Review Notice indicating that we planned to commence a review during the fourth quarter of Fiscal Year 2005. Along with the Notice, we sent a questionnaire requesting basic information on the FHFB OIG's investigative operations. On October 24, 2005, we received the completed Qualitative Assessment Review questionnaires, organizational profiles, and the appendices. After reviewing these documents, we scheduled an entrance conference for November 22, 2005. Following the entrance conference, we scheduled our on-site review of the investigation files for the week of January 17, 2006. In early February 2006, we requested additional data to confirm our preliminary understanding of FHFB OIG's investigative operations. We prepared a draft of the QAR report in mid February 2006. We submitted a draft report to the FBHB OIG for review and comments on March 7, 2006.

## FINDINGS

### **Training records for agents detailed to the FHFB OIG were not readily available**

Due to the small size of the FHFB OIG, the Inspector General supplements its core staff with agents detailed from other Offices of the Inspector General. The PCIE/ECIE Quality Standards for Investigations require that individuals assigned to conduct the investigative activities collectively possess professional proficiency for the tasks required. Detailed requirements supporting this standard are specified in the Quality Standards for Investigations document and are reflected in the Quality Assessment Review questionnaire. The questionnaire seeks information on the training received by Inspector General case agents.

During our review, training records were not available on-site for the detailed case agents. For FHFB-OIG case agents, the training records were readily available. We requested the training records from the home agency of the detailed case agents but were unable to secure any training records for one case agent from the Federal Bureau of Investigation. However, for two other detailed agents from the U.S. Postal Service OIG, we received partial training records. Nonetheless, this information was sufficient for us to apply the review steps listed in the *Qualitative Assessment Review Guidelines for Federal Offices of Inspector General*.

## COMMENT-RECEIVED FROM FHFB IG

The Inspector General for FHFB-OIG agrees with our finding and recommendation. He noted however that, as in this instance, the case agents detailed to his office are senior case agents. Because the agents have usually been employed at several entities, getting the required basic training information was difficult in the past. However, in the future, OIG offices, in order to comply with PCIE/ECIE investigation guidelines, should have that information readily available for all case agents on their staff.

### **Office of the Inspector General at the Federal Housing Finance Board is in full compliance with the PCIE/ECIE Quality Standards for Investigations**

Our review of the investigative function at the FHFB OIG relied on the *Qualitative Assessment Review Guidelines for Federal Offices of Inspector General* published in January 2004. From that document, we followed the *Qualitative Assessment Review Checklist For Reviewing Investigative Case Files* when we examined all the investigative case files within the scope of this review. We found that this Office of the Inspector General was in compliance with the PCIE/ECIE Quality Standards for Investigations.

Our review of the investigative case files revealed that seven of the eight preliminary investigations undertaken during the twenty-seven month review period were closed prior to launching a full investigation. In one instance, where a preliminary investigation generated sufficient need for further examination, that case was transferred to the Department of Justice within thirty days after the start of the inquiry. From the case files, we found that the case was opened on October 9, 2002. The first subpoena issued by the FHFB Inspector General was on November 4, 2002 with the advice of the U.S. Department of Justice. Documents (emails) indicate that the Federal Bureau of Investigation was contacted on December 13, 2002.

Further examination of the case transferred to the U.S. Department of Justice revealed that most of the investigative work was performed by case agents detailed from the U.S. Postal Service Office of the Inspector General and the Federal Bureau of Investigation. These agents worked out of the offices of the OIG at the FHFB. Although the case agents were in close proximity to the Inspector General, legal strategy dictated that the FHFB IG minimize his participation in the case. Consequently, all documents related to the case were maintained at the Department of Justice. We did not review the files maintained at DOJ since sufficient information was available to us at FHFB OIG for us to complete the QAR checklist. Also, the FHFB Inspector General indicated to our review team that he did not review any documents after the case was transferred to the Department of Justice. We found no evidence to contradict this assertion.

The *Qualitative Assessment Review Checklist For Reviewing Investigative Case Files* (Appendix D Review Step B) asks:

Question 1- "Has The OIG Case Agent Completed Basic Criminal Investigator Course At Federal Law Enforcement Training Center (FLETC) Or A Comparable Course Of Instruction?"

To answer the above question, we requested the training records of the detailed agents. These records were not readily available in the office of the FHFB OIG. However, neither the FHFB OIG policy manual nor the PCIE/ECIE investigative standards require that detailed case agents' training records be retained on site. However, ready access to the training records would expedite the QAR.

## CONCLUSIONS AND RECOMMENDATIONS

As a result of this Quality Assessment Review, the CFTC OIG review team concluded that the Office of the Inspector General at the Federal Housing Finance Board is in full compliance with the PCIE/ECIE Quality Standards for Investigations. We further concluded that the procedure for logging in allegations, conducting preliminary investigations, and referring preliminary investigations to the Department of Justice met the requirements stated in the PCIE/ECIE Investigative standards. These standards incorporate the PCIE and the Attorney General guidelines.

The Inspector General informed us that, due to the small size of the FHFB OIG, he will continue to supplement his staff, when necessary, with additional investigators detailed to the office to assist in the completion of selected investigations. This practice will require the establishment of a procedure to acquire and maintain the appropriate training records of the detailed case agents.

Therefore, we recommend that the Inspector General of the FHFB:

- Establish a policy to acquire and maintain in its files a listing of the training received by agents detailed to the FHFB OIG; and
- Continue its compliance with the PCIE/ECIE Quality Standards for Investigations.