



FEDERAL HOUSING FINANCE BOARD

OFFICE OF INSPECTOR GENERAL

Audit Plan

April 1, 2007 - March 31, 2008
Exhibit 3 to OIG's Strategic Plan

Edward Kelley
Inspector General

OIG'S ANNUAL AUDIT PLAN

Foreword

This annual audit plan, presented as Exhibit 3 to OIG's strategic plan, identifies the audit activity planned for the period April 1, 2007 through March 31, 2008. The audit activities were selected because of: 1) their relevance to the Finance Board's management officials, 2) the vulnerability of the area to be audited, and 3) the statutory mandate. The planned audit activity is subject to change due to unanticipated matters of higher priority. Such changes will be communicated to the Chairman and other Board Members, as appropriate.

The results of OIG audit activity will be reported to Finance Board management on an ongoing basis. The results of this audit activity will also be reported in the Inspector General's Semiannual report to the Congress as required by the Inspector General Act.



Edward Kelley
Inspector General

OFFICE OF INSPECTOR GENERAL

Audit Plan for April 1, 2007 – March 31, 2008

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INTRODUCTION

The Office of Inspector General (OIG) provides independent, professional audits, and investigations of the financial and operational activities of the Federal Housing Finance Board (Finance Board). The audits are performed in accordance with generally accepted government auditing standards, as set forth in the U.S. Comptroller General's Government Auditing Standards. The office conducts investigations in conformance with Quality Standards for Investigations issued by the President's Council on Integrity and Efficiency and Executive Council on Integrity and Efficiency. The office also performs other reviews and projects upon request by the Chairman and the Board that may involve the Federal Home Loan Banks and related entities.

For its audit responsibilities, OIG has established a plan of activities for the period April 1, 2007 – March 31, 2008, that are designed to meet Goal 1, Objectives A, B, and C of OIG's strategic plan. The planned audits also support the accomplishment of the Finance Board's strategic plan and help to prevent fraud, waste, and abuse. Audits are selected based upon: (a) the results of our audit activities for April 1, 2006 – March 31, 2007; (b) the Finance Board's strategic plan; (c) recommendations of agency managers and other Federal Home Loan bank System stakeholders; (d) predetermined criteria – as set forth on page four; (e) the professional standards and requirements of the Comptroller General, the American Institute of Certified Public Accountants, and the Office of Management and Budget; and (f) Congressional emphasis on combating fraud, waste, and abuse.

This audit plan takes into consideration, but does not document, OIG resources committed to other OIG functions such as investigations and legislation/regulation reviews. The audit plan is subject to revision during the year, as priorities may shift because of: (a) unanticipated changes in the agency's strategic plan; (b) matters found during our audit work, (c) special projects requested in addition to those presently anticipated, or (d) other, circumstances which are unforeseen at this time. The plan has been developed based on the current authorized staffing level of OIG, and the timeframes noted have been broadened to accommodate a variety of other work-related activities and projects that may be requested during the period.

OVERVIEW OF AUDIT RESPONSIBILITIES AND DEFINITIONS

The term “audit” is used to describe work performed by auditors in examining financial statements, as well as work performed in reviewing compliance with applicable laws and regulations, the economy and efficiency of operations, and the effectiveness in achieving program results. These audits are prepared in accordance with generally accepted government auditing standards and vary in scope and complexity. They may be detailed and complex in scope or they may be limited reviews and inspections. A “survey” is the first phase of an audit and is performed to identify areas where more detailed audit work is warranted. The [Government Auditing Standards](#), promulgated by the U.S. Government Accountability Office, identify the following three types of audits:

Financial audits include determining whether: (a) financial information is presented in accordance with established or stated criteria; (b) the entity has adhered to specific financial compliance requirements; and (c) the entity’s internal control structure over financial reporting and/or safeguarding assets is suitably designed and implemented to achieve the control objectives.

Economy and efficiency audits include determining: (a) whether the entity is acquiring, protecting, and using its resources (such as personnel, property, and space) economically and efficiently; (b) the causes of any inefficient or uneconomical practices; and (c) whether the entity has complied with laws and regulations concerning economy and efficiency.

Program audits include determining: (a) the extent to which the desired results or benefits established by the legislature or other authorizing body are being achieved; (b) the effectiveness of organizations, programs, activities, or functions; and (c) whether the entity has complied with significant laws and regulations applicable to the program.

The [Inspector General Act of 1978](#), as amended, added a fourth dimension to auditing, by charging auditors within the Federal establishment with the responsibility for identifying potential or actual instances of waste and fraud in government activities. This responsibility is also included in the [Government Auditing Standards](#).

PROJECTS COMPLETED FROM APRIL 1, 2006 – MARCH 31, 2007

OIG completed the following audits and related projects:

1. An audit of the Finance Board's Fiscal Year 2006 Financial Statements was issued on November 14, 2006;
2. A semiannual report to the President and the Congress for the period October 1, 2005 to March 31, 2006 was issued on **April 28, 2006**;
3. OIG's vulnerability assessment for Fiscal Year 2006 was issued on **September 6, 2006**;
4. An audit of the Finance Board's Compliance with the Federal Information Security Management Act was issued on September 29, 2006;
5. A semiannual report to the President and the Congress for the period April 1, 2006 to September 30, 2006 was issued on **October 27, 2006**;
6. A limited review report on the Finance Board's implementation of OMB Circular A-123 was issued on October 16, 2006;
7. An audit of the data integrity of the Finance Board's Call Reporting System was issued on September 29, 2006;
8. An audit report on the quality of guidance provided to Office of supervision Examiners was issued on August 15, 2006;
9. An audit report on the effectiveness of examiner recruitment, selection, and retention was issued on November 31, 2007;
10. An audit of the Finance Board's Compliance with Section 522 of the Consolidated Appropriations Act of 2005 Regarding Privacy Measures was issued on September 29, 2007;
11. A Peer Review report on the National Credit Union Administration's Office of Inspector General's Audit Function was issued **on January 30, 2007**
12. Reviews and comments on various proposed agency policies and procedures were provided during the period of April 1, 2006 through March 31, 2007.

AUDIT RANKING CRITERIA

This year's audit plan was developed from a list of potential audit areas that were rated according to the following criteria:

1. The priority of the Chairman and/or Members of the Board of Directors,
2. Based on the Finance Board's strategic plan, the relative importance of the program or activity to the Finance Board's mission,
3. The amount of Finance Board resources committed to the program or activity,
4. The potential for fraud, waste, or abuse to occur in the program or activity,
5. Management needs identified through consultation with primary organization heads,
6. Legislative or regulatory requirements and/or Congressional, Office of Management and Budget (OMB), or Government Accountability Office (GAO) recommendations,
7. The extent of audit coverage provided by GAO, consultants or other entities,
8. The newness, changed conditions, or sensitivity of the program or activity,
9. The existence of required in-house staff expertise,
10. The adequacy of internal control systems in place for the program or activity, and
11. The extent of outstanding issues resulting from prior audit coverage or review by OIG and other audit entities.

In applying these criteria for the April 1, 2007 – March 31, 2008 audit year, we selected the audits, surveys, management reviews, and liaison activities that are represented under appropriate captions on the following pages.

PLANNED AUDIT ACTIVITIES FOR APRIL 1, 2007 – MARCH 31, 2008

Audit of the Disposition of IT Equipment

We will conduct an audit of the economy and efficiency with which the Finance Board disposes of IT equipment and the agency's adherence to applicable laws and regulations.

Planned period for audit: June 2005 – June 2007.

Audit of the Accuracy of Merit Pay Calculations

We will review the propriety of procedures for calculating employees' merit pay increases and determine the agency's compliance with the procedures.

Planned period for audit: February 2006 – June 2007

Audit of the Finance Board's compliance with the Federal Information Security Management Act (FISMA) (contract)

We will review the IT office's security measures for the agency to assess the agency's vulnerability to information loss or theft.

Planned period for audit: May – September 2007

Audit of the Finance Board's FY'2007 Financial Statements (contract)

We will contract with a certified public accounting firm to annually audit the Finance Board's Financial Statements. The audit will encompass a review of financial transactions, accounts, and reports, including an evaluation of compliance with significant financial laws, regulations, and policies of the Finance Board, and an evaluation of internal accounting control.

Planned period for audit: May – November 2007

Audit of the Finance Board's Fund Balance

We will review the policies and procedures related to the Finance Board's fund balance to assess the reasonableness of the amount of the fund balance.

Planned period of audit: June – July 2007

Audit of Finance Board Records Management Procedures (Contract)

We will review the procedures within the Finance Board for maintaining records in a manner that limits the risk of theft, loss, or destruction and that complies with federal requirements.

Planned period for audit: June – August 2007

Audit of the Thoroughness of Examinations in Identifying Safety and Soundness Issues (Contract)

We will review the effectiveness of the examination function in timely identifying safety and soundness issues at Federal Home Loan banks.

Planned period for audit: June – October 2007

Audit of the Finance Board's Parking and Metro Pass Programs

We will review the policies and procedures governing the Finance Board's parking program and metro pass program to assess the controls in place to ensure equitable access to the services and to ensure there are protections against fraud and abuse.

Planned period for audit: August – September 2007

Limited Review of the Finance Board's implementation of OMB Circular A-123 (contract)

To comply with requirements of OMB Circular A-123, the Finance Board is required to annually assess and report on the overall adequacy and effectiveness of management controls within the agency. We will conduct a limited review of the process used to assess the agency's internal control system.

Planned period for audit: October 2007

Audit of Finance Board Workman's Compensation Activity

We will conduct an audit of Finance Board workman compensation payments to assess the propriety of the payments.

Planned period of audit: October – November 2007

Survey of the Finance Board's Information Systems Technology Function (Contract)

We will conduct a survey of the Information Systems Technology Management Office to determine if there are high areas and to assess the controls over the high risk areas.

Planned period for audit: October 2007 – January 2008

Audit of the Finance Board's Employee Security Clearance Process (Contract)

We will conduct an audit of the Finance Board's policies and procedures for performing employee background investigations and for following up on investigation results.

Planned period for audit: October 2007 – January 2008

Audit of Finance Board's Use of Telecommuting in the Agency's Continuity of Operations Plan (Contract)

We will conduct an audit to determine whether the Finance Boards Continuity of operations plan is incorporates telecommuting procedures.

Planned period for audit: November – December 2007

Audit of Effectiveness of Processing Issues to the Finance Board (Contract)

We will conduct an audit to assess the effectiveness of agency controls for ensuring the timely and consistent sharing of issues requiring Board members' input and resolution.

Planned period for audit: January – March 2008

Audit of the Finance Board's Strategic Planning Process

We will review the agency's process for developing the strategic plan, communicating the plan to all stakeholders, and for measuring the agency's performance against the plan.

Planned period for audit: December 2007 – February 2008

Audit of the Usefulness of Call Reporting System Data

We will survey users of Call Reporting System data to assess the need for the data and we will examine the cost associated with providing the data.

Planned period for audit: December 2007 – February 2008

Survey of the Office of General Counsel

We will conduct a survey of the Office of General Counsel to document high risk areas and the controls in over the high risk areas.

Planned period for audit: March – May 2008

Follow-up on Completed Audits

We will follow-up with Finance Board managers to determine the extent to which corrective actions have been taken on audit recommendations.

Planned period for follow-up: Quarterly

Audit of Ratified and Terminated Contracts in Excess of \$2,500

We will audit all contracts terminated/ratified during the period April 1, 2007 through March 31, 2008 to assess whether the Finance Board received services and/or goods consistent with the amounts paid to contractors.

Planned period for audit: As appropriate

LEGISLATED REPORTING REQUIREMENTS

Semiannual Reports to Congress

In accordance with the [Inspector General Act of 1978](#), as amended (IG Act), we will prepare and transmit to the Congress semiannual reports on the activities of the Inspector General Office at the Finance Board. We will prepare, no later than April 30, 2007 and October 31, 2007, semiannual reports that summarize OIG activities during the immediately preceding six-month periods ending March 31, 2007 and September 30, 2007. OIG semiannual reports will be furnished to the Chairman of the Finance Board and in accordance with the [IG Act](#), within 30 days of receiving the reports; the Chairman is required to transmit the report and certain other information to the appropriate committees and subcommittees of the Congress.

Planned period for project: April and October 2007

SPECIAL PROJECTS

Because of our auditing, accounting, and operational expertise and familiarity with the operations of the entire Finance Board, the Office of Inspector General is available to perform special projects and offer advice as requested by the Chairman, members of the Board of Directors, and Finance Board management. From time to time, matters come to our attention during the year that are not anticipated when the audit plan is established. Such matters may be documented internally for consideration in a scheduled audit. If the matter does not relate to a scheduled audit, we determine if immediate action is required, and if such action will significantly alter our scheduled work. The Chairman and other Board members will be advised of changes to the audit plan that result from unscheduled work.