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Introduction

The Government Performance and Results Act of 1993 (Results Act or GPRA) 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 will help identify where changes are needed to improve organizational effectiveness and efficiency. The OIG Strategic Plan1 and Annual Performance Plan lay the basic foundation for 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. It builds upon the OIG Strategic Plan and bridges the gap between our strategic goals and the day-to-day activities of our staff. The plan 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 2003 performance plan contains goals that focus on adding value to the Corporation through our core mission activities of audits, evaluations, and investigations; improving communications with our stakeholders; aligning human resources to support the OIG mission, and managing our resources effectively. In keeping with the spirit of the Results Act, the OIG is committed to the continued development of performance indicators and goals that better measure the impact and results of OIG work.

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 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.

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1 The existing OIG Strategic Plan (1999-2004) is being updated and is expected to be completed in 2003. The updated strategic plan will incorporate elements of the OIG Strategic Framework (shown on page 2) that was agreed upon at the June 2002 OIG Executive Planning session.
The agency and Congress see us as a valuable part of the Corporation and we are viewed as one of the best OIGs in government.

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.

STRATEGIC GOALS

Value and Impact
OIG products will add value by achieving significant impact related to addressing issues of importance to the Chairman, the Congress, and the public.

Communication and Outreach
Communications between the OIG and the Chairman, the Congress, employees, and other stakeholders will be effective.

Human Capital
The OIG will align its human resources to support the OIG mission.

Productivity
The OIG will effectively manage its resources.

STRATEGIC OBJECTIVES

OIG will contribute to ensuring the:
- Protection of insured depositors
- Safety & soundness of FDIC-supervised institutions
- Protection of consumer rights
- Achievement of recovery to creditors of receiverships
- Effective management of agency resources

OIG will foster effective:
- Agency relations and communications
- Congressional relations and communications
- OIG employee relations and communications
- Relations and communications with other OIG stakeholders

OIG will enhance:
- Workforce analysis and planning
- Competency investments
- Leadership development
- The development of a results-oriented high performance culture

OIG will ensure:
- OIG processes are efficient
- OIG products meet quality standards

CORE VALUES

Communication
Objectivity
Responsibility
Excellence
To date, the FDIC OIG has conducted its performance planning and reporting cycle under the Results Act on a calendar year basis, consistent with the Corporation’s budget and accounting cycle. However, because the OIG receives a separate appropriation based on the typical government fiscal year ending September 30, we made a decision to change our Results Act performance planning and reporting from a calendar year to a September 30 fiscal year cycle beginning with fiscal year 2003. The fiscal year cycle will also be consistent with the semiannual reporting periods prescribed by the Inspector General Act. To accommodate the conversion, we used a 9-month transition period (January 1 to September 30, 2002) for the 2002 planning and reporting cycle. Thus, this OIG Performance Plan covers from October 1, 2002 through September 30, 2003.
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.

Our Vision Statement

The agency and Congress sees us as a valuable part of the Corporation and we are viewed as one of the best OIGs in government.
CORE Values

The OIG has adopted the following “CORE” values to guide us in achieving our mission, goals, and objectives:

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

**Objectivity.** The OIG will maintain personal, external, and organizational independence so that our opinions, conclusions, and recommendations will be impartial and will be viewed as impartial by knowledgeable third parties. We will exercise objective and unbiased judgement on all issues associated with conducting and reporting on our work.

**Responsibility.** The OIG works toward ensuring that all employees have a clear understanding of what is expected of them. We believe that each individual is responsible and accountable for his or her actions and should be mindful that these actions always reflect on our customers’ perception of the OIG. We respect all of our employees because they are important, trusted, and the key to continued improvement of our services to all customers.

**Excellence.** 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. The OIG acknowledges that growth and vision are crucial to the success of our office. 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 in order to achieve and maintain the level of excellence expected of us by our customers.

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 supervisors to achieve consistency in policy and regulation. It seeks and considers information from the Congress, the financial institution industry, individuals seeking and receiving financial services, and others outside the FDIC in the development of policy. In developing and executing its policies, the FDIC seeks to minimize regulatory burden while fulfilling its statutory responsibilities.
**Teamwork.** The FDIC promotes and reinforces a corporate perspective and challenges its employees to work cooperatively across internal and external organizational boundaries.

**Fairness.** The FDIC treats everyone fairly and equitably. It exercises its responsibilities with care and impartiality; promotes a work environment that is free of discrimination and values diversity; and 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 change.

**Integrity.** The FDIC performs its work with the highest sense of integrity, requiring the agency to be, among other things, honest and fair. The FDIC can accommodate the honest difference of opinion; it cannot accommodate the compromise of principle. Integrity is measured in terms of what is right and just, standards to which the FDIC is committed.
Strategic Outlook

This section summarizes the OIG’s strategic outlook as we continue to strive to achieve our mission through accomplishment of our strategic goals and objectives.

Corporate Environment and Management Challenges at the FDIC

Corporate Environment

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. 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.

In February 2002 at an Executive Leadership Conference, FDIC Chairman Donald Powell announced a new vision for the Corporation. He envisions the FDIC providing more timely and better information than anyone else; recognizing and responding to emerging risks before they threaten safety and soundness or harm consumers; and becoming the authority and resource that the Congress, media, and others turn to for guidance. The OIG fully supports that vision for the Corporation and will do all it can, in partnership with the Corporation, other financial regulatory agencies, and the Inspector General community, to help make it a reality.

Also at the Leadership Conference, the Chairman presented a special group of 2002 performance objectives that would have a significant role in pursuing the Chairman’s vision. Implementation of some of the related actions included downsizing and reorganization during 2002 that resulted in a streamlined but more agile and efficient workforce of the FDIC. The Chairman is further challenging his executive team in early 2003 with a leadership agenda for the year that includes additional corporate and division/business line initiatives in the areas of policy leadership, management of the insurance funds, and operational efficiency. These initiatives, together with the performance measures under the FDIC’s GPRA performance plans, are serving to foster an environment of accomplishment and focus on results.

Management and Performance Challenges Facing the FDIC

In the interest of improving federal performance government-wide, the Senate Governmental Affairs Committee has asked Offices of Inspector General to annually identify the most significant management challenges facing their agencies. At the FDIC, our office has identified and reported these challenges to the Chairman, the Congress, and others through our Semiannual Reports to the Congress. In addition, the Reports Consolidation Act of 2000 (RCA) provides that an agency producing a consolidated performance and accountability report will include a statement prepared by the agency’s Inspector General that summarizes the most serious management and performance challenges facing the agency. The FDIC has decided to prepare a consolidated performance and accountability report for 2002 consistent with the RCA. Accordingly, in the spirit of the RCA, the Inspector General has provided the Corporation with a statement that identifies the most significant management and performance challenges for
consideration in the FDIC’s 2002 consolidated report, as follows:

- Adequacy of Corporate Governance in Insured Depository Institutions
- Protection of Consumer Interests
- Security of Critical Infrastructure
- Management and Analysis of Risks to the Insurance Funds
- Effectiveness of Resolution and Receivership Activities
- Management and Security of Information Technology Resources
- Assessment of Corporate Performance
- Transition to a New Financial Environment
- Organizational Leadership and Management of Human Capital
- Cost Containment and Procurement Integrity

The OIG will continue to pursue audits, evaluations, investigations, and other reviews that address the challenges that are summarized in the Inspector General’s statement.

**OIG Strategic Challenges and Strategies**

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. As the Corporation identifies its priorities and develops its strategies to operate into the future, the OIG recognizes it must stay abreast of changes and reevaluate its priorities and strategies in light of the Corporation’s needs.

**Audit and Evaluation Strategies**

To meet the needs of the Corporation and to better ensure that our work adds value, the OIG has organized its Office of Audits into four primary Directorates: (1) Insurance, Supervision, and Consumer Affairs; (2) Resolution, Receivership, and Legal Affairs; (3) Information Assurance; and (4) Resource Management. A fifth Directorate, Corporate Evaluations, performs corporate-wide and other evaluations.

The Office of Audits has developed and issued its Fiscal Year 2003 Assignment Plan with projects designed to help the FDIC successfully address risks, meet its many challenges, and accomplish its strategic goals. We developed the audit assignment plan based on our understanding of the prioritization of key risks to the FDIC. When completed, the projects should result in constructive recommendations for improvements to programs and activities, and identify economies and efficiencies in operations.

Our planned audit and evaluation work addresses the Corporation's three principal operational areas as discussed in the FDIC 2003 Annual Performance Plan – Insurance, Supervision, and Receivership Management. Our work also addresses a fourth area of corporate attention discussed in the 2003 FDIC Plan, resource management. This includes the FDIC’s human, financial, and technological resources essential to the successful accomplishment of the Corporation’s mission and its annual performance goals.
The Office of Audit’s 2003 Assignment Plan focuses audit and evaluation activity in the following key risk areas (22), which are grouped by the four primary audit directorates:

**Insurance, Supervision, and Consumer Affairs**

- Insurance Risk Management and Dissemination of Industry Data
- Coordination of Financial Services Regulation at State, National, and International Levels
- Institutional Risk Management
- Supervisory Action and Enforcement
- Protection and Promotion of Consumer Interests

**Resolution, Receivership, and Legal Affairs**

- Least-Cost Resolution
- Deposit Insurance Determinations
- Receivership Operations
- Receivership Termination Process
- Receivership Legal Support

**Information Assurance**

- Information Security
- Information Technology Management and Organization
- Information Technology Planning and Investment Control
- Enterprise Architecture Management
- System and Data Integrity

**Resource Management**

- Procurement Functions
- Contractors
- Facilities Management
- Financial Accountability
- Physical Security
- Human Capital
- Performance Management

Appendix I depicts how the audit projects planned to be initiated in FY 2003 relate to the OIG and FDIC strategic goals and objectives, as well as the management and performance challenges facing the FDIC. The table reflects comprehensive audit coverage of FDIC strategic goals, risks, and management and performance challenges. We recognize that all challenges and risks cannot be addressed each year. Further, adjustments to the assignment plan will be made throughout the year to address changing priorities.
Investigative Strategies

OIG investigative strategies and initiatives 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. Several key investigative strategies and initiatives are discussed below.

- **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 restitution, (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 meet 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 restitution.

- **Solvent/Insolvent Banks** – OIG continues to meet with FBI officials throughout the country to advise them of our interest in this area. Both entities 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 to 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 Crimes Team** – As computers continue to become a major part of the business operational environment, the risk of electronic-related fraud has increased. The OIG is committed to meet the needs of FDIC and the banking community to combat electronic fraud. As a result, the OIG has established an Electronic Crimes Team based in Washington, DC to investigate unauthorized intrusions and computer-related fraud, and to conduct computer forensic examinations. As part of this initiative, OIG agents are trained on how to search, seize and analyze computer systems and evidence encountered during the course of an investigation, and during the execution of a search warrant.
Mission Support Strategies

Achieving audit, evaluation, and investigative strategies requires critical mission support functions and effective management of human capital. These support activities and strategies are discussed beginning on page 19.
Strategic Goals, Objectives, and Annual Performance Goals

The FY 2003 performance plan identifies 34 specific performance goals that the OIG will accomplish during the year to help us achieve our strategic goals and objectives. These performance goals as well as the strategic goals and objectives are presented graphically on the next several pages. Page 13 presents the OIG’s mission and strategic goals in relation to the FDIC’s mission and strategic goals. As portrayed on this page, the OIG’s strategic goals link to and directly support the FDIC’s strategic goals. Presented separately on pages 14-18 are the OIG’s four strategic goals, which are briefly described below, and the related strategic objectives and annual performance goals.

- **Value and Impact** – Strategic Goal 1 focuses on products adding value to the Corporation by achieving significant impact related to addressing issues of importance to the Chairman, the Congress, and the public.

- **Communication and Outreach** – Strategic Goal 2 focuses on fostering effective communications and relations with the agency, Congress, OIG employees, and our other stakeholders.

- **Human Capital** – Strategic Goal 3 focuses on aligning and integrating our human capital policies and procedures to support the OIG mission.

- **Productivity** – Strategic Goal 4 focuses on effectively managing our resources to improve the quality and efficiency of our products and processes.
Tree Diagram of OIG Goals and Objectives – FY 2003

FDIC Mission Statement

The FDIC contributes to stability and public confidence in the nation’s financial system

FDIC Strategic Goals

I. Insured depositors are protected from loss without recourse to taxpayer funding

II. FDIC-supervised institutions are safe and sound

III. Consumers’ rights are protected and FDIC-supervised institutions invest in their communities

IV. Recovery to creditors of receiverships is achieved

OIG Mission Statement

The OIG 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.

OIG Strategic Goals

SG 1 Value and Impact – OIG products will add value by achieving significant impact related to addressing issues of importance to the Chairman, the Congress, and the public

SG 2 Communication and Outreach – Communications between the OIG and the Chairman, the Congress, employees, and other stakeholders will be effective

SG 3 Human Capital – The OIG will align its human resources to support the OIG mission

SG 4 Productivity – The OIG will effectively manage its resources

Note: The FDIC mission statement shown above is an abbreviated form of the Corporation’s official mission statement.
OIG Strategic Goal 1

**SG 1 Value and Impact** – OIG products will add value by achieving significant impact related to addressing issues of importance to the Chairman, the Congress, and the public

SO 1.1 – The OIG will contribute to ensuring the protection of insured depositors from loss without recourse to taxpayer funding

SO 1.2 – The OIG will contribute to ensuring the safety and soundness of FDIC-supervised institutions

SO 1.3 – The OIG will contribute to ensuring consumers’ rights are protected and FDIC-supervised institutions invest in their communities

SO 1.4 – The OIG will contribute to ensuring the achievement of recovery to creditors of receiverships

SO 1.5 – The OIG will contribute to ensuring the effective management of agency resources

Related 2003 Annual Performance Goals

APG 1.0.1 – Complete assignments and issue reports with useful information or recommendations in 15 of the 22 OIG-identified corporate risk areas

APG 1.0.2 – 80 percent of the total number of audit and evaluation projects targeted for completion in FY 2003 will be completed and result in reports issued containing useful information and recommendations

APG 1.0.3 – The ratio of financial benefits to total audit and evaluation operating costs will increase over the ratio in the Transition Year 2002 base period

APG 1.0.4 – 80 percent of recommendations will be dispositioned within 12 months of report issuance

APG 1.0.5 – Achieve a level of FDIC senior executive client satisfaction with the audit function 10 percent above the level achieved in the general client survey for 2001 (survey report issued in 2002) up to a sustaining level of 80 percent of the maximum score

APG 1.0.6 – Achieve a level of FDIC senior executive client satisfaction with the evaluation function 10 percent above the level achieved in the general client survey for 2001 (survey report issued in 2002) up to a sustaining level of 80 percent of the maximum score

APG 1.0.7 – 80 percent of closed cases will result in either reports to management, criminal convictions, civil actions, administrative actions, or a combination of these elements

APG 1.0.8 – 70 percent of cases accepted for prosecution will result in convictions, pleas, and/or settlements

APG 1.0.9 – Attain a minimum ratio of 3 to 1 of financial benefits to investigative cost dollars

APG 1.0.10 – Achieve a level of FDIC senior executive client satisfaction with the investigation function 10 percent above the level achieved in the general client survey for 2001 (survey report issued in 2002) up to a sustaining level of 80 percent of the maximum score

APG 1.0.11 – Provide useful information and analysis on corporate risks, planning, performance, policies, and directives within timeframes that are responsive to corporate needs
OIG Strategic Goal 2

SG 2 Communication and Outreach – Communications between the OIG and the Chairman, the Congress, employees, and other stakeholders will be effective

SO 2.1 – Foster effective agency relations and communications

SO 2.2 – Foster effective congressional relations and communications

SO 2.3 – Foster effective OIG employee relations and communications

SO 2.4 – Foster effective relations and communications with other OIG stakeholders

Related Strategic Objectives

OIG Related Strategic Goal 2

APG 2.1.1 – Promote effective corporate communications and relations by sponsoring or actively participating in various activities including quarterly meetings, conferences, seminars, task forces, and training

APG 2.1.2 – Achieve a level of FDIC senior executive client satisfaction with OIG communications efforts 10 percent above the level achieved in the general client survey for 2001 (survey report issued in 2002) up to a sustaining level of 80 percent of the maximum score

APG 2.2.1 – Congressional committees and staff will benefit from information and mutual communication regarding OIG work and emerging issues via personal briefings and discussions, periodic update documents, and reports

APG 2.3.1 – An OIG Employee Advisory Group will meet regularly to serve as facilitator of communications among OIG staff and as a channel to advise OIG management regarding employee relations

APG 2.3.2 – Conduct an employee survey to establish a baseline for employee satisfaction and to develop strategies to address survey results

APG 2.4.1 – Promote effective communications and relations with other OIG stakeholders to include participating in PCIE activities and meeting quarterly with other federal regulators and representatives of the U.S. General Accounting Office

Related 2003 Annual Performance Goals
SG 3 Human Capital – The OIG will align its human resources to support the OIG mission

SO 3.1 Workforce Analysis and Planning – Develop and implement approaches to assess workforce capability and plan future needs

SO 3.2 Competency Investments – Target training, development, and recruiting that will enhance OIG staff competencies for accomplishing OIG strategic objectives

SO 3.3 Leadership Development – Use development/training opportunities to enhance desired leadership competencies for current and future OIG leaders

SO 3.4 Results-Oriented High Performance Culture – Develop and nurture a diverse and results-oriented performance culture that enables and motivates employees’ performance

APG 3.1.1 – Prepare inventories of existing workforce knowledge and workforce knowledge needed, and identify gaps in knowledge needed to accomplish future work

APG 3.1.2 – Identify and link competencies needed for every OIG position and align with job descriptions and position selecting factors

APG 3.2.1 – Develop strategies for closing the identified workforce knowledge gaps, including training, developmental assignments, recruitment and hiring, and contracting

APG 3.3.1 – Identify OIG leadership competencies that are consistent with a results-oriented, high-performance culture that effectively manages human capital

APG 3.4.1 – Better align performance criteria and expectations and rewards/consequences with accomplishing the OIG strategic mission and goals
OIG Strategic Goal 4

Productivity – The OIG will effectively manage its resources

SG 4

APG 4.1.1 – Maintain the fiscal year 2002 baseline of average elapsed calendar days to produce final reports for audit and evaluation assignments

APG 4.1.2 – Reduce to less than 10 percent the number of audit and evaluation assignments ongoing over 1 year

APG 4.1.3 – Reduce audit and evaluation assignment costs so that the average cost of all assignments is less than the 2002 baseline year’s level

APG 4.1.4 – 70 percent of active cases that have been open over 1 year will be referred and accepted for prosecution

APG 4.1.5 – 90 percent of employee cases that have either no criminal prosecution potential or have been declined for prosecution will be completed in less than 6 months

APG 4.1.6 – 90 percent of investigative reports will be issued within 30 days, and 100 percent of investigative reports will be issued within 60 working days, after completion of the case

APG 4.1.7 – 100 investigative actions will result from OI cases during the year

APG 4.1.8 – Legal services are provided within established timeframes 90 percent of the time

Related Strategic Objectives

SO 4.1 – OIG processes are efficient

Related 2003 Annual Performance Goals
OIG Strategic Goal 4 (cont.)

SG 4
Productivity – The OIG will effectively manage its resources

SO 4.2 – OIG products meet quality standards

Related Strategic Objectives

APG 4.2.1 – Perform four (4) internal quality control reviews of audit and evaluation operations

APG 4.2.2 – Achieve a result of zero (0) material instances of noncompliance with Government Auditing Standards as identified in internal quality control reviews

APG 4.2.3 – OI will conduct internal operational reviews of the 3 major investigative offices every 12 months and resolve significant matters identified

APG 4.2.4 – Conduct an independent quality review of the operations of another IG office under the auspices of the PCIE community

Related 2003 Annual Performance Goals
Key Support Activities and Human Capital

This section provides a brief description of the key support activities, operational processes, and human capital issues that are critical to achieving the OIG’s goals and objectives.

Key Support Activities and Processes

In addition to the audit, evaluation, and investigative activities discussed in the Strategic Outlook section of this plan, the OIG must maintain vital activities and processes in support of these functions. Brief descriptions of the offices providing support activities are provided below:

Office of Counsel

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; processing requests under the Freedom of Information Act or the Privacy Act and any related appeals; and 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.

Office of Management and Congressional Relations

Effectively managing the OIG’s business activities is essential to OIG operations. The OIG’s Office of Management and Congressional Relations 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 manages OIG’s relations with Congress; responds to congressional inquiries; coordinates OIG’s review of proposed legislation and 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.

Office of Quality Assurance and Oversight

Ensuring the quality of OIG work is a high priority. The Office of Quality Assurance and Oversight is responsible for maintaining quality assurance and organizational self assessment programs for OIG activities; performing external quality assurance reviews of other OIGs; internal coordination and external oversight of risk management and internal control activities under the Chief Financial Officers Act and the Federal Managers’ Financial Integrity Act; and internal and external coordination of strategic and performance planning and reporting activities under the Results Act.
Human Capital

Corporate Environment

The FDIC has been in a downsizing mode for the past 10 years as the workload from the banking and thrift crises of the late 1980s and 1990s has been accomplished. During the past year, a number of division mergers and reorganizations took place and the Corporation concluded its 2002 buyout/retirement incentive programs. As of September 30, 2002, the FDIC’s buyout/retirement incentive programs achieved a reduction of 699 staff and $80 million projected savings in future operating costs. In total, over the past 10+ years, the workforce (combined from the FDIC and the Resolution Trust Corporation) has fallen from approximately 23,000 in 1992 to 5,500 as of September 30, 2002. By June 2003, the Corporation hopes to substantially complete required downsizing and correct existing skills imbalances. To do so, the Corporation continues to carry out other features of its comprehensive program such as solicitations of interest, reassignments, retraining, outplacement assistance, and possible reductions-in-force. As the Corporation adjusts to a smaller workforce, it must continue to ensure the readiness of its staff to carry out the corporate mission.

The Corporation has predicted that almost 20 percent of FDIC employees will be eligible to retire within the next 5 years. The Corporation must continue to conserve and replenish the institutional knowledge and expertise that has guided the organization over the past years. Hiring and retaining new talent will be important, and having hiring and retention policies that are fair and inclusive remain a significant component of the corporate diversity plan.

OIG Human Capital Actions and Strategies

The OIG is undergoing a similar shift in the way we perceive our organization and our business with a smaller, more flexible workforce that is aligned with our mission. The OIG took steps during 2002 in accord with the Chairman’s vision, including major efforts to streamline our workforce and work processes. The OIG participated in the Corporation’s early retirement and buyout program and modified our structure to realign OIG operations with the critical business lines of the FDIC, geographically as well as functionally. This resulted in the separation of 54 employees, or 25 percent of our April 2002 staff level, and the closure of our San Francisco office during 2002. The OIG plans to have a permanent staff level of 168 in 2003, compared with the 215 staff authorized for 2002. As a result, our 2003 corporate budget is 12 percent less than our 2002 budget.

While restructuring to a smaller workforce, the OIG continues to look to increasing the value of our people and the performance capacity of the OIG. Therefore, strategically managing our human capital in a high-performance culture will be a top priority in our organization. The OIG issued a Human Capital Strategic Plan in 2002, which seeks to align and integrate our human resource policies and practices with the OIG mission. As shown on the Tree Diagram of OIG Goals and Objectives on page 13, the alignment of our human resources with our mission is one of our four strategic goals. Our Human Capital Strategic Plan complements the other strategic goals by aligning and integrating human resource policies and practices with our business practices. It also reflects the Chairman’s recent goals of having the right number of people with the needed skills in the right places. Our human capital plan focuses on four areas that are key to
maximizing the return on our human capital and sustaining a high-performance organization: workforce analysis; competency investments; leadership development; and a results-oriented, high-performance culture.

Strengthening our workforce capabilities will be particularly important in the next several years to prepare and position us for the future in light of our smaller workforce. As part of the Human Capital Strategic Plan objectives on workforce analysis and competency investments, we are developing a technical knowledge inventory tool and will be working to develop key competencies for our occupational series to align our recruiting, training, and professional development efforts with the OIG mission.

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; knowledge of applicable statutes and regulations; 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 knowledge of business, finance, and economics and of other agencies’ programs as they relate to FDIC’s work, as well as skills in research, statistical sampling, information systems auditing, or other specialized skills as needed.

- **Criminal investigators** are required to have a thorough and current knowledge of federal criminal procedure and laws concerning search and seizure, arrests, advisement of rights, surveillance, and the right to privacy - both personal and financial. They should have knowledge of accounting principles, be proficient at interviewing and eliciting information from all types of sources, and be able to communicate clearly and effectively, both orally and in writing. Because of the complex mission of the FDIC, in addition to the traditional skills associated with their activities, criminal investigators in the FDIC OIG must have significant knowledge of 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 apply their expertise in use-of-force principles, self-defense, and firearms. The OIG has several agents who are trained as instructors in defensive tactics and firearms. In addition to their investigative duties, these agents provide support and advice to our National Training Officer in administering our training program. The OIG also has an Electronic Crimes Team, staffed by agents who have been trained and certified as seized computer evidence specialists.
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 is far more vulnerable to new types of electronic fraud and is becoming more globalized. 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 searching computers that have been used in the commission of fraud. The transition to a “paperless” environment and a greater reliance on automated 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.
External Factors

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

Budget

One of the most significant external factors that could affect achievement of our goals is our budget. Unlike other FDIC divisions and offices, the OIG is subject to the congressional appropriations process. A significant decrease in our budget 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

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 or requests, Chairman’s and management’s requests, litigation, Freedom of Information Act and Privacy Act requests, hotline complaints, or other high priority requests for audits, evaluations, and investigations. These requests can require substantial amounts of time and resource expenditures, with significant impact on our planned workload. An increase in external requests above projected levels may have an adverse effect on meeting our stated goals and objectives.

Economy

A severe 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 by the FDIC. 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 our 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, has fostered development of innovative products and services. Examples of new technology include Internet banking, e-commerce, e-government, 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 technological advancements, particularly the increase use of electronic banking initiatives, there is a potential 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 the 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. Deposit insurance rates have been deregulated, geographic restrictions have been eliminated, restrictions on permissible activities and products have been loosened, and the number of insured commercial banks has decreased dramatically. More major changes for the financial services industry may be in store in the coming years. In a speech before the American Bankers Association, Chairman Powell announced that the FDIC would conduct a major study on the future of banking in America. The study will look at the underlying trends in the economy and industry and what this suggests for the future, and will identify emerging policy questions and issues likely to confront both regulators and the industry over the next decade. Some of these issues may include further industry consolidation, deposit insurance reform, restructuring the federal banking regulators, combining banking and commerce activities, the adequacy of corporate governance, and the rapid transfer of customer information through technology. The OIG will monitor these and other emerging issues as they develop to ensure they are appropriately addressed through our audits, evaluations, and investigations. This may require a reallocation of our resources, which could affect the achievement of the goals and objectives in this plan.
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.

- The OIG’s Office of Investigations database system was designed specifically in part, to more accurately track the measures and goals we have established under the strategic and annual performance plans. The 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.

- 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 should be revised for the next planning cycle.

- Internal control and 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.
### Summary of Audit Coverage of Strategic Goals and Objectives and Risks and Challenges (By Audit Directorate)

<table>
<thead>
<tr>
<th>OIG Strategic Objectives (OIG Strategic Goal 1 – Value and Impact)</th>
<th>FDIC Strategic Goal or Resource Management</th>
<th>Number of FY 2003 Planned Audit Assignments</th>
<th>OIG - Identified Risk Areas Covered</th>
<th>Management &amp; Performance Challenges Covered</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Insurance, Supervision, and Consumer Affairs</strong></td>
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<tr>
<td>1.1 The OIG will contribute to ensuring the protection of insured depositors from loss without recourse to taxpayer funding</td>
<td>I. Insured depositors are protected from loss without recourse to taxpayer funding</td>
<td>9</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>1.2 The OIG will contribute to ensuring the safety and soundness of FDIC-supervised institutions</td>
<td>II. FDIC-supervised institutions are safe and sound</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>1.3 The OIG will contribute to ensuring consumers’ rights are protected and FDIC-supervised institutions invest in their communities</td>
<td>III. Consumers’ rights are protected and FDIC-supervised institutions invest in their communities</td>
<td>1</td>
<td>1</td>
<td>1</td>
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<tr>
<td><strong>Resolution, Receivership, and Legal Affairs</strong></td>
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<tr>
<td>1.4 The OIG will contribute to ensuring the achievement of recovery to creditors of receiverships</td>
<td>IV. Recovery to creditors of receiverships is achieved</td>
<td>4</td>
<td>4</td>
<td>1</td>
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<tr>
<td><strong>Information Assurance</strong></td>
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<tr>
<td>1.5 The OIG will contribute to ensuring the effective management of agency resources</td>
<td>Resource Management: Human, financial and technological resources</td>
<td>13</td>
<td>5</td>
<td>2</td>
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<tr>
<td><strong>Resource Management</strong></td>
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<tr>
<td>1.5 The OIG will contribute to ensuring the effective management of agency resources</td>
<td>Resource Management: Human, financial and technological resources</td>
<td>8</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>*<em>TOTALS (coverage <em>)</em></em></td>
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<tr>
<td>All OIG SG1 Value and Impact Objectives</td>
<td>All FDIC Strategic Goals and Resource Management area</td>
<td>36 (of 22)</td>
<td>20 (of 10)</td>
<td>9 (of 10)</td>
</tr>
</tbody>
</table>

* Duplicates not included in totals