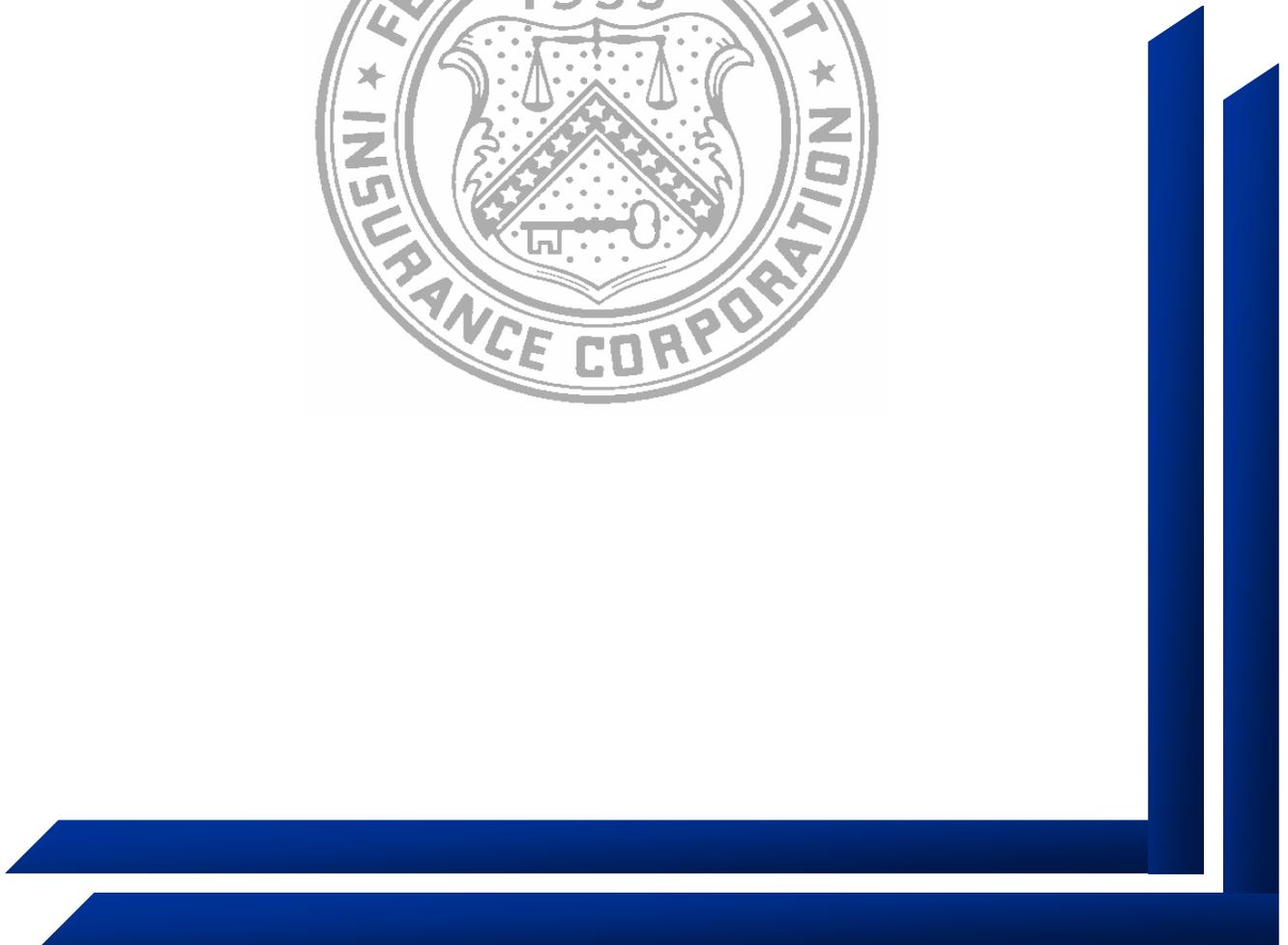


# Office of Inspector General

## FY 2005 Performance Plan

(October 1, 2004 – September 30, 2005)



# Table of Contents

---

Introduction .....	1
Strategic Plan Framework (2004-2008).....	2
Mission, Vision, and Core Values .....	3
OIG.....	3
FDIC .....	5
Strategic Outlook .....	6
OIG Strategic Goals, Objectives, and Annual Performance Goals .....	11
Tree Diagram of OIG Goals and Objectives .....	12
Resource Management .....	18
Mission Support Offices .....	18
Strategic Focus Areas .....	18
Human Capital.....	19
Information Technology Management and Security .....	23
Process Improvement: Quality Assurance and Risk Management.....	24
External Factors .....	26
Verification and Validation of Performance Data .....	28

# 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 focus energy on providing value to the Corporation and will help identify where changes are needed to improve organizational effectiveness and efficiency. The OIG Strategic Plan 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.

Unlike the FDIC, which reports on a calendar year basis, the OIG receives a separate appropriation based on the typical government fiscal year ending September 30. Therefore, our Results Act performance planning and reporting is done on a September 30 fiscal year cycle. The fiscal year cycle is also consistent with the semiannual reporting periods prescribed by the Inspector General 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, the Congress, corporate management, and the American public. The 2005 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 our 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.



# FDIC Office of Inspector General Strategic Plan Framework (2004-2008)



## VISION

*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.*

## MISSION

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

## STRATEGIC GOALS

<p><b><u>Value and Impact</u></b></p> <p>OIG products will add value by achieving significant impact related to addressing issues of importance to the Chairman, the Congress, and the public</p>	<p><b><u>Communication and Outreach</u></b></p> <p>Communications between the OIG and the Chairman, the Congress, employees, and other stakeholders will be effective</p>	<p><b><u>Human Capital</u></b></p> <p>The OIG will align its human resources to support the OIG mission</p>	<p><b><u>Productivity</u></b></p> <p>The OIG will effectively manage its resources</p>
---	---	---	--

## STRATEGIC OBJECTIVES

<p><b>OIG will contribute to ensuring the:</b></p> <ul style="list-style-type: none"> <li>• Protection of insured depositors</li> <li>• Safety and soundness of FDIC-supervised institutions</li> <li>• Protection of consumer rights</li> <li>• Achievement of recovery to creditors of receiverships</li> <li>• Effective management of agency resources</li> </ul>	<p><b>OIG will foster effective:</b></p> <ul style="list-style-type: none"> <li>• Agency relations and communications</li> <li>• Congressional relations and communications</li> <li>• OIG employee relations and communications</li> <li>• Relations and communications with other OIG stakeholders</li> </ul>	<p><b>OIG will enhance:</b></p> <ul style="list-style-type: none"> <li>• Workforce analysis and planning</li> <li>• Competency investments</li> <li>• Leadership development</li> <li>• The development of a results-oriented high performance culture</li> </ul>	<p><b>OIG will ensure:</b></p> <ul style="list-style-type: none"> <li>• OIG processes are efficient</li> <li>• OIG products meet quality standards</li> </ul>
---	---	---	---

## CORE VALUES

<b>Communication</b>	<b>Excellence</b>
<b>Objectivity</b>	<b>Responsibility</b>

# **Mission, Vision and Core Values**

---

## **The Federal OIG Mission**

Federal OIGs have responsibility to report on current performance and accountability and to foster good program management to ensure effective government operations. The Inspector General Act of 1978, as amended, created the OIGs to:<sup>1</sup>

- Conduct, supervise, and coordinate audits and investigations relating to the programs and operations of their agencies;
- Review existing and proposed legislation and regulations to make recommendations concerning the impact of such legislation and regulations on economy and efficiency or the prevention and detection of fraud and abuse;
- Provide leadership for activities designed to promote economy, efficiency, and effectiveness, and to promote efforts to reduce fraud, waste, and abuse in the programs and operations of their agencies;
- Coordinate relationships between the agency and other Federal agencies, State and local government agencies, and non-government agencies to promote economy and efficiency, to prevent and detect fraud and abuse, or to identify and prosecute participants engaged in fraud or abuse;
- Inform their agency heads and Congress of problems in their agencies' programs and operations and the necessity for and progress of corrective actions; and
- Report to the Attorney General whenever the Inspector General has reasonable grounds to believe there has been a violation of Federal criminal law.

In addition to audits and investigations referenced in the first item above, OIGs may conduct, supervise, and coordinate inspections and evaluations, and other reviews related to the programs and operations of their agencies.

## **Our Mission**

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

## Our Vision

*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.*

## OIG's CORE Values

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

***C*ommunication.** 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.

***O*bjectivity.** 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.

***R*esponsibility.** 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.

***E*xcellence.** 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.

---

<sup>1</sup> IG Act, Section 2 and Section 4.

We believe that fulfilling the OIG's mission and striving to achieve our vision significantly supports and assists in the achievement of the Corporation's mission and vision.

## **The Corporation's Mission**

*The Federal Deposit Insurance Corporation (FDIC) is an independent agency created by the Congress that maintains the stability and public confidence in the nation's financial system by insuring deposits, examining and supervising financial institutions, and managing receiverships.*

## **Vision**

*The FDIC is a leader in developing and implementing sound public policies, identifying and addressing new and existing risks in the nation's financial system, and effectively and efficiently carrying out its insurance, supervisory, and receivership management responsibilities.*

## **Values**

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

***Integrity.*** FDIC employees adhere to the highest ethical standards in the performance of their duties and responsibilities.

***Competence.*** The FDIC maintains a highly skilled, dedicated, and diverse workforce.

***Teamwork.*** FDIC employees work cooperatively with one another and with employees in other regulatory agencies to accomplish the Corporation's mission.

***Effectiveness.*** The FDIC responds quickly and successfully to identified risks in insured financial institutions and in the broader financial system.

***Financial Stewardship.*** The FDIC acts as a responsible fiduciary, consistently operating in an efficient and cost-effective manner on behalf of insured financial institutions and other stakeholders.

***Fairness.*** The FDIC treats all employees, insured financial institutions, and other stakeholders with impartiality and mutual respect.

## **Strategic Outlook**

---

This section summarizes the OIG's strategic outlook and environment as we 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.

FDIC Chairman Donald Powell has articulated a strategic vision for the FDIC. He believes the Corporation should provide timelier and better banking-related information than anyone else; recognize and respond to emerging risks before they threaten safety and soundness or harm consumers; and become the authority and resource that the Congress, media, and others turn to for guidance.

Corporate Performance Objectives have been developed for 2005 to continue the FDIC's efforts to accomplish the Chairman's vision. These performance objectives are focused on strategic change initiatives that have corporate-wide significance and are grouped under the areas of Sound Policy, Stability, and Stewardship. Performance Objectives under Sound Policy include initiatives relating to policy leadership, research contributions, deposit insurance reform legislation, and reducing regulatory burden. Objectives under Stability include initiatives relating to insuring and supervising large banks, effectiveness of risk analysis and fund management processes, banking system protection, improving bank supervision, and banking data availability to the public. Stewardship objectives are included to reduce corporate operating costs, promote a high-performing workforce, improve the Corporation's information technology program, and effectively manage capital investment projects.

The OIG fully supports the Chairman's vision and the associated objectives and initiatives by 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.

#### *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. Beginning in 2002, the FDIC

decided to prepare a consolidated performance and accountability report consistent with the RCA. This report consolidates the FDIC's Chief Financial Officers Act Report, the GPRC Program Performance Report, and the traditional Annual Report. In the spirit of the RCA, the Inspector General provides for inclusion in the consolidated annual report a statement that identifies and assesses the most serious management and performance challenges facing the Corporation. For the FDIC's 2004 Annual Report to be published in February 2005, the OIG identified management and performance challenges in the following seven areas:

- Corporate Governance in Insured Depository Institutions
- Management and Analysis of Risks to the Insurance Funds
- Security Management
- Money Laundering and Terrorist Financing
- Protection of Consumers' Interests
- Corporate Governance in the FDIC
- Resolution and Receivership Activities

The OIG will continue to evaluate and annually update the challenges and will pursue audits, evaluations, investigations, and other reviews that address these challenges and related corporate risks. A detailed description of the management and performance challenges can be viewed on the OIG's Internet Web Site by visiting [http://www.fdicoin.gov/gpra/MPCs\\_12-16-2004.pdf](http://www.fdicoin.gov/gpra/MPCs_12-16-2004.pdf).

## **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***

The Office of Audits develops and issues annual *Assignment Plans* which present audit and evaluation assignments designed to help the FDIC successfully address risks, meet its many challenges, and accomplish its strategic goals. The plan provides a key mechanism to assist the OIG in achieving its first strategic goal (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.

The Office of Audits Assignment Plan is based on the OIG's assessment of risks that the FDIC faces in meeting its strategic goals and objectives, consistent with the Chairman's priorities. This risk assessment process is linked to the OIG's identification of management and performance challenges, as discussed above. This planning process is coordinated with the FDIC Audit Committee and senior FDIC management. Reports and products issued under the assignment plan are intended to produce constructive recommendations for improving programs and activities, and achieve economies and efficiencies in operations. As such, we believe the assignments will enhance FDIC corporate governance and contribute to the Corporation's overall risk management activities. The FY 2005 Office of Audits Assignment Plan can be viewed on

the OIG's Internet Web Site by visiting <http://www.fdicig.gov/FY05AssignmentPlan/FY05AP.pdf>.

Audit and evaluation work addresses the Corporation's three principal operational areas as discussed in the FDIC *Strategic Plan* – Insurance, Supervision, and Receivership Management. Our work also addresses a fourth area of corporate attention discussed in the FDIC *Strategic 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 organization structure of the Office of Audits focuses on these strategic areas.

The Office of Audits manages its audit and evaluation activity through the following six operating directorates:

- Supervision and Insurance
- Resolution, Receivership, and Legal Services
- Information Assurance
- Systems Management
- Resources Management
- Corporate Evaluations (performs reviews that crosscut corporate operational areas)

The Office of Audits also maintains flexibility in its assignment planning to meet the changing needs of the Corporation. In keeping with the OIG's commitment to perform assignments that are meaningful to the Corporation and that address corporate risks, the Office of Audits will be mindful of the "next best assignment to perform" to ensure that all assignments meet identified and emerging risks. To this end, during the fiscal year, higher priority assignments may be substituted for those provided in the assignment plan, as appropriate.

### ***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.

- *Solvent/Insolvent Banks* – The OIG continues to work closely with U.S. Attorneys' Offices, the FBI, and FDIC's Division of Supervision and Consumer Protection (DSC) in addressing fraud at open and failed institutions. As federal law enforcement resources have had to be redirected to terrorism investigations, U.S. Attorneys' Offices and the FBI are increasingly seeking OIG assistance in pursuing investigations of fraud at open and failed institutions. In addition to criminal prosecutions stemming from its investigations at open and failed institutions, the OIG has been working with the FDIC Legal Division and DSC to incorporate appropriate enforcement actions in the plea bargaining process, to prohibit offenders from future participation in banking.
- *Communication with DSC* – The OIG communicates on an ongoing basis with DSC on matters relating to investigations of fraud at both open and closed institutions. Our relationship with DSC with respect to these cases has become increasingly collaborative as

we work together to aggressively combat fraud and obstruction that harm FDIC regulated and/or insured institutions. To this end, we meet routinely with DSC officials. In addition to quarterly meetings with DSC's Special Activities Section in Washington, OIG representatives make regular visits to DSC regional and area offices to hold meetings with DSC managers. On average we visit two offices a quarter, with a goal of visiting all eight offices each year. During these meetings, we review our ongoing cases involving open and closed institutions and discuss issues of mutual concern. In addition to these management meetings, OIG agents have been making presentations to DSC staff at various field offices, to provide an overview of our Office of Investigations operations and address our role in investigating financial institution fraud. The OIG continues to work with DSC and other FDIC program offices in developing and presenting training on "lessons learned" from our cases that may provide insight into bank failures and red flags of fraud at financial institutions.

In addition, the OIG issues quarterly reports to DSC officials outlining the status of investigations involving open and failed institutions. At the conclusion of these cases, we also issue memorandum reports to DSC outlining the results of the investigation. As actions of significance occur in our cases, we provide DSC with relevant highlight reports, copies of indictments, and relevant press releases and news articles. Working collaboratively, the OIG and DSC have issued a revised agreement relating to our investigations at open institutions, under which DSC now notifies the OIG of the filing of certain of Suspicious Activity Reports.

*Cooperative Efforts with DRR/Legal* – The OIG continues to coordinate closely with the FDIC's Division of Resolutions and Receiverships (DRR) and the Legal Division to address fraudulent concealment of assets by those who have been ordered to pay FDIC restitution. Under protocol established between our offices, the OIG will undertake a criminal investigation when DRR/Legal finds evidence that an individual has concealed or fraudulently transferred assets to avoid payment of restitution to the FDIC. The OIG and DRR worked together to issue new guidelines outlining our respective roles at bank closings. The OIG continues to attend all bank closings where fraud is suspected and to coordinate with DRR before, during and after the closing. The new guidelines are designed to preserve evidence for criminal prosecution purposes while enabling DRR to access and protect records necessary for resolution of the institution. The OIG continues to hold quarterly meetings with DRR/Legal Headquarters officials and meets periodically with DRR managers in Dallas. The OIG also issues quarterly reports to DRR and Legal officials outlining our investigations related to failed institutions, asset concealment, and fraud in the sale of assets. As significant actions occur in these cases, we provide DRR with relevant highlight reports, copies of indictments, and related press releases and news articles. We also forward all judgment orders stemming from our cases to DRR for their use in collecting court-ordered restitution. The OIG has also been working with DRR and other FDIC officials in identifying red flags and patterns of fraud found in failed bank institutions. Our agents also make periodic presentations to DRR and Legal staff outlining "lessons learned" from our bank failure investigations.

*Electronic Crimes Unit* – 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 meeting the needs of the FDIC and the banking community to combat

electronic fraud. As a result, the OIG established an Electronic Crimes Unit (ECU) and computer forensic laboratory, housed in Washington, DC, to investigate unauthorized computer intrusions and computer-related fraud impacting FDIC operations, and to provide computer forensic support to OIG investigations. The ECU coordinates with DIRM and affected FDIC program offices in investigating computer-related crimes. In providing computer forensic support to OIG investigations, the ECU prepares search warrants for electronic media, provides on-site support for serving such warrants, conducts laboratory analysis of the evidentiary content of electronic media seized during criminal investigations, and provides technical advice regarding computer media used to perpetrate traditional crimes. The ECU attends all bank closings where fraud is suspected, and images computer data for evidentiary purposes in resultant criminal prosecutions. The ECU shares copies of the imaged files with the FDIC for its use in resolving the institution and pursuing bond claims. The ECU has also been assisting DRR/Legal as they research the feasibility of creating imaging capability of their own. The ECU worked with DRR in developing guidelines to be followed at bank closings for the purpose of preserving evidence and attends meetings with closing team members in advance of scheduled bank closings, to review the bank's computer configuration and reach agreement on how to proceed with securing data at the closing. OIG ECU agents receive intensive training on how to search, seize, and analyze computer systems and evidence encountered during the course of an investigation and during execution of search warrants. The ECU has made training presentations to FDIC staff at various conferences and meetings to make them aware of the ECU capabilities and to outline procedures that should be followed to preserve computer evidence.

### ***Resource Management and Mission Support Strategies***

Achieving audit, evaluation, and investigative strategies requires critical mission support functions and effective management of human capital, technology, and processes for quality assurance and risk management. Mission support offices and resource management strategies for these areas are discussed beginning on page 18.

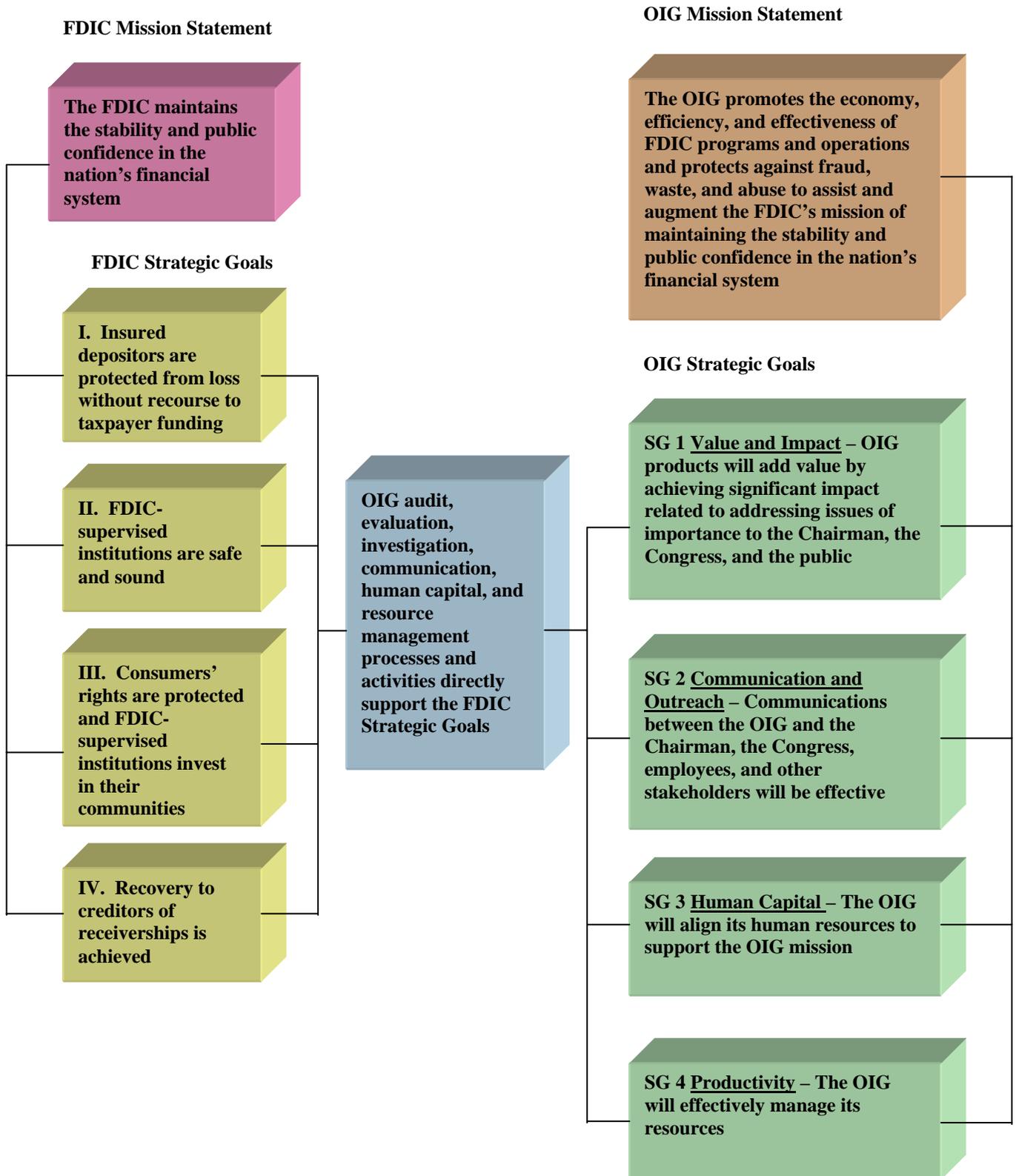
## **Strategic Goals, Objectives, and Annual Performance Goals**

The FY 2005 performance plan identifies 39 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 12 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 13-17 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 and achieving significant impact by addressing issues of importance to the Chairman, the Congress, and the public. The FY 2005 plan contains 11 annual performance goals related to value and impact.
- *Communication and Outreach* – Strategic Goal 2 focuses on fostering effective communications and relations with the agency, Congress, OIG employees, and our other stakeholders. The FY 2005 plan contains 7 annual performance goals related to communication and outreach.
- *Human Capital* – Strategic Goal 3 focuses on aligning and integrating our human capital policies and procedures to support the OIG mission. The FY 2005 plan contains 3 annual performance goals related to human capital.
- *Productivity* – Strategic Goal 4 focuses on effectively managing our resources to improve the quality and efficiency of our products and processes. The FY 2005 plan contains 18 annual performance goals related to productivity and efficiency.

In recognizing the dynamic nature of planning and performance measurement, we are committed to the continued development of performance indicators and goals that better measure the impact and results of our work.

# Tree Diagram of OIG Goals and Objectives – FY 2005

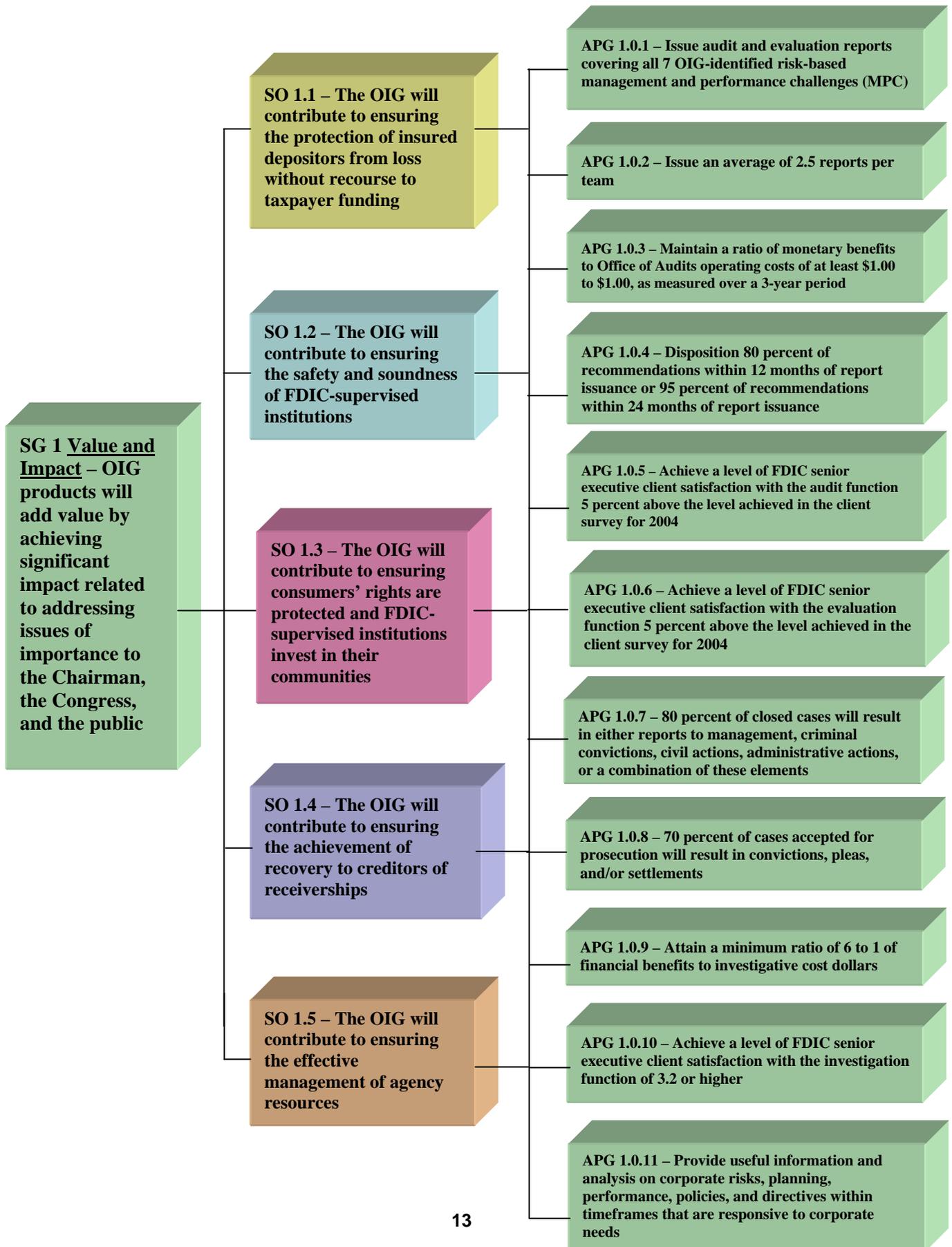


Note: The FDIC mission statement shown above is an abbreviated form of the Corporation's official mission statement.

**OIG  
Strategic Goal 1**

**Related  
Strategic Objectives**

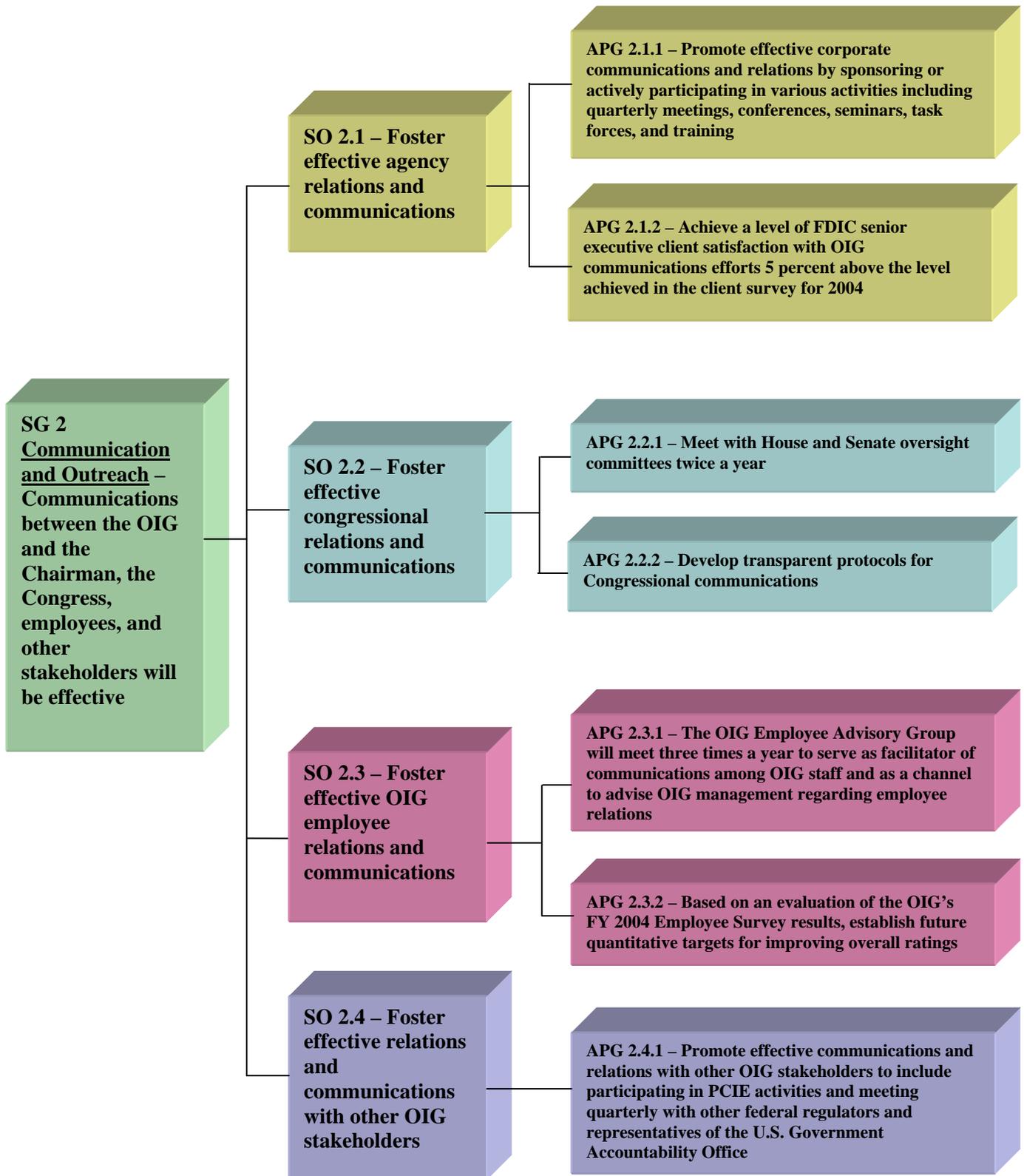
**Related FY 2005 Annual  
Performance Goals**



**OIG  
Strategic Goal 2**

**Related  
Strategic Objectives**

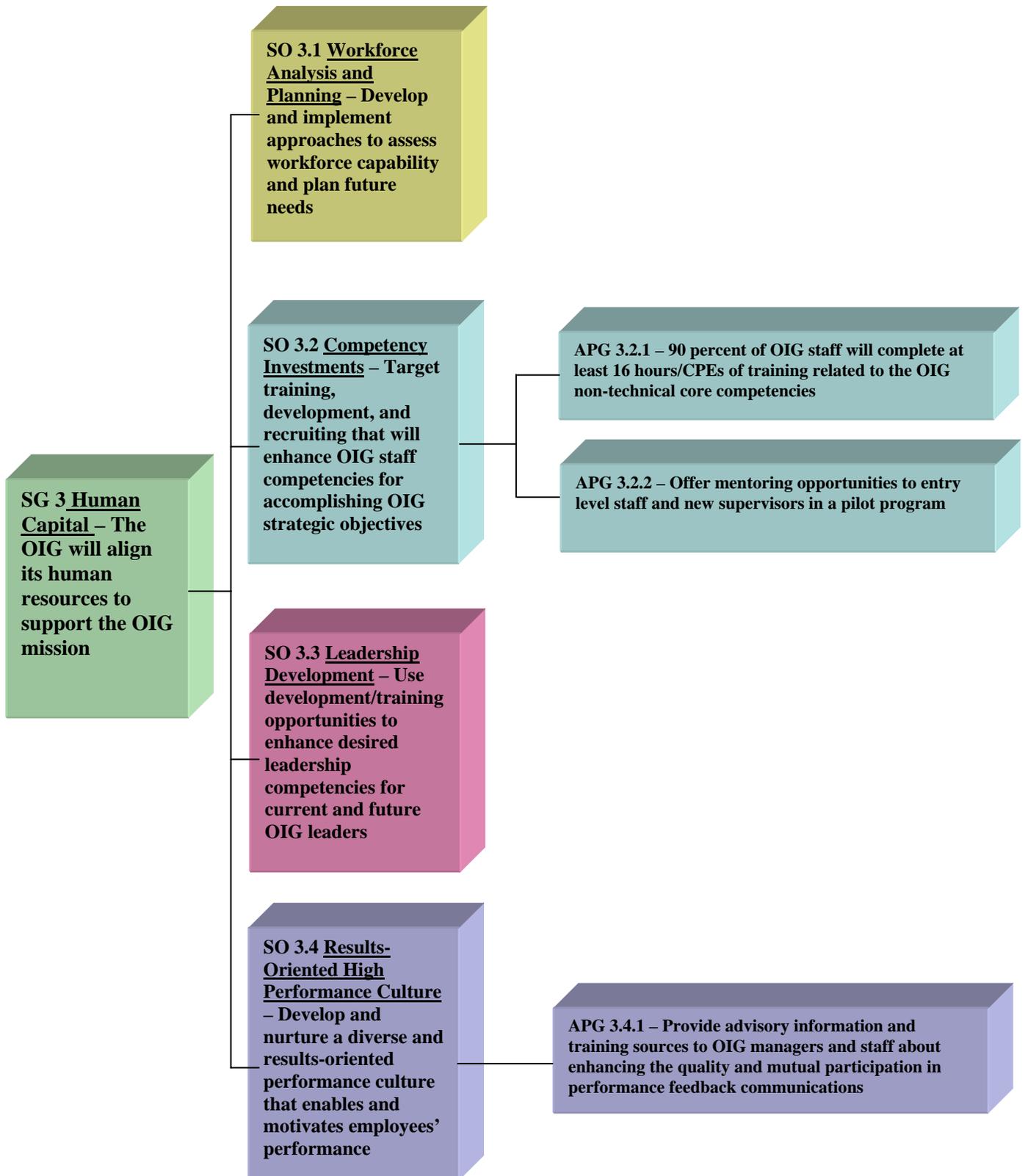
**Related FY 2005 Annual  
Performance Goals**



**OIG  
Strategic Goal 3**

**Related  
Strategic Objectives**

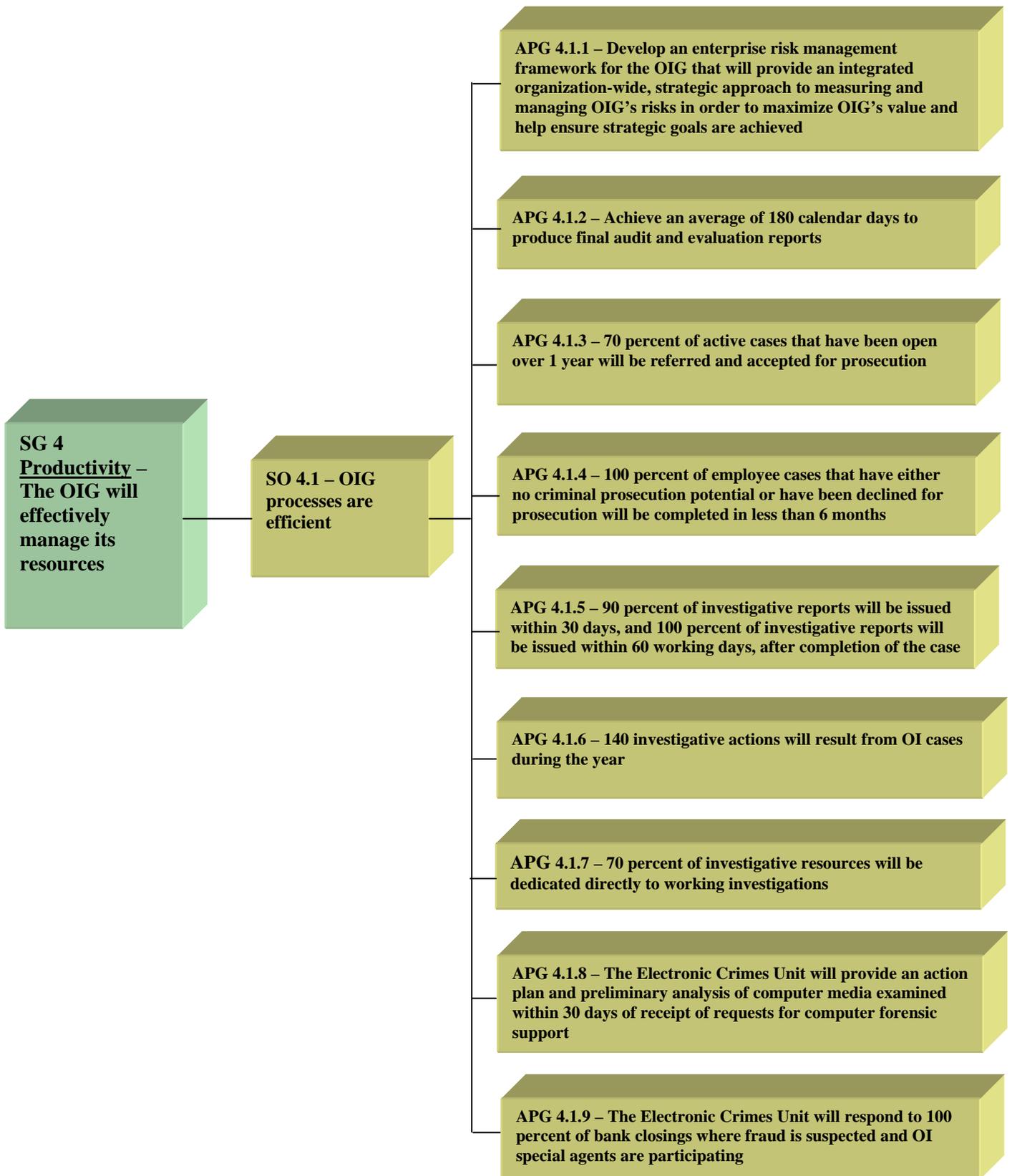
**Related FY 2005 Annual  
Performance Goals**



**OIG  
Strategic Goal 4**

**Related  
Strategic Objectives**

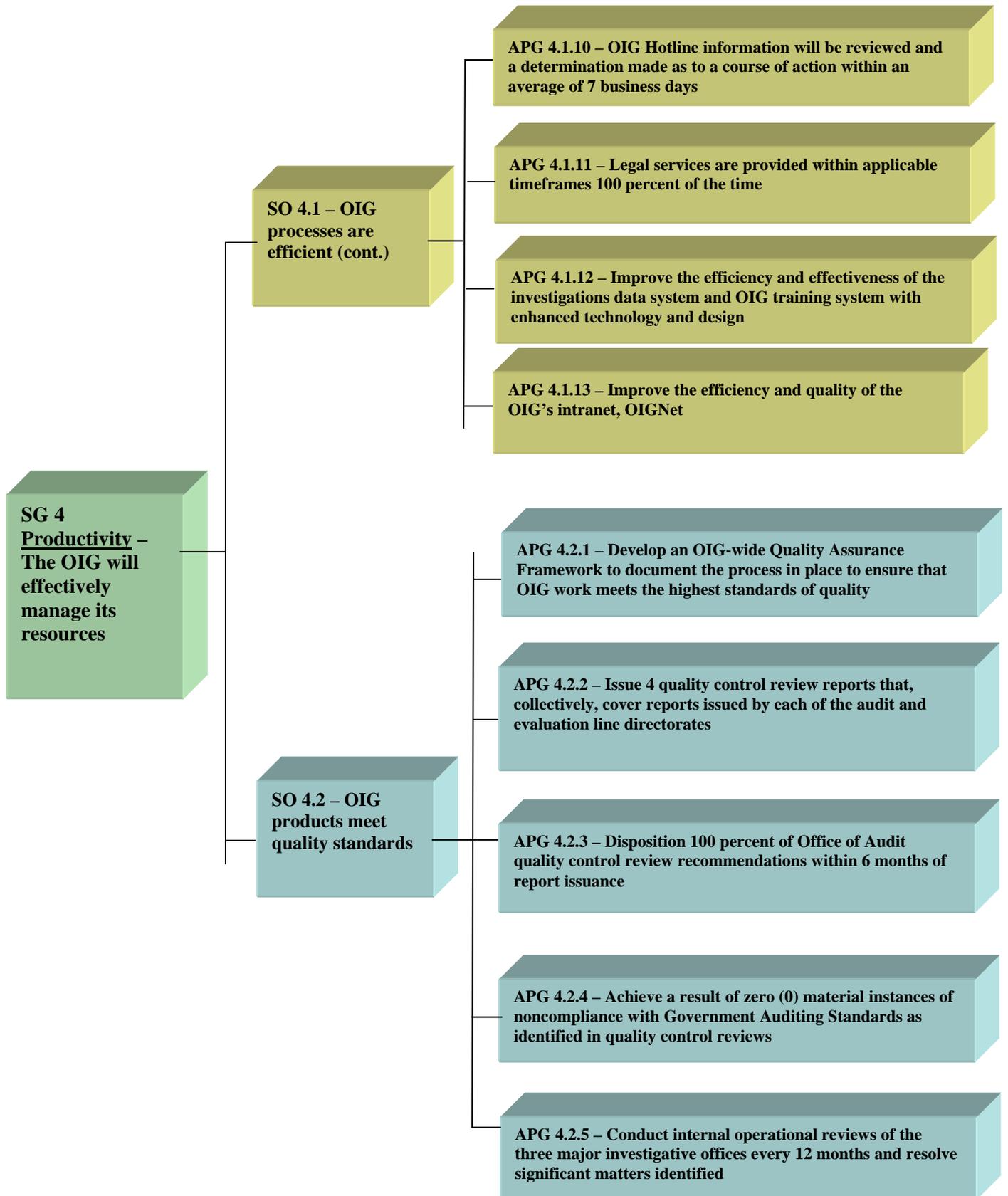
**Related FY 2005 Annual  
Performance Goals**



**OIG  
Strategic Goal 4  
(cont.)**

**Related  
Strategic Objectives**

**Related FY 2005 Annual  
Performance Goals**



# **Resource Management**

---

## **Mission Support Offices**

The OIG must maintain vital mission support functions in addition to the audit, evaluation, and investigative functions discussed in the Strategic Outlook section of this plan. Brief descriptions of the offices providing this critical mission support are presented 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 the OIG, including personnel issues; preparing subpoenas, and seeking to enforce them when necessary; reviewing proposed legislation and regulations affecting the 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-à-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 information technology strategic planning. This unit also manages the OIG's relations with Congress; responds to congressional inquiries; and coordinates the OIG's review of proposed legislation and draft corporation policies and procedures.

### *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 annual performance planning and reporting activities under the Government Performance and Results Act.

## **Strategic Focus Areas**

The effective management of OIG's human capital, information technology, and quality assurance and risk management process improvement programs is essential for efficiently achieving the OIG's mission, strategic goals and objectives, and annual performance goals. Effective management is accomplished by providing strategic focus in these areas as follows:

## Human Capital

### *Corporate Environment*

A rapidly consolidating financial services industry is prompting the FDIC to recalibrate its priorities so the Corporation can maintain its footing as a premiere regulator. Over the last 20 years, there has been a 50 percent reduction in insured financial institutions, from more than 18,000 in 1985 to about 9,000 today, according to Deputy to the Chairman and Chief Financial Officer, Steve App. During that same time there has been a 40 percent reduction in FDIC-supervised institutions from 8,700 to about 5,200. In the meantime, the largest 100 banks have continued to grow in asset size, and they now comprise about 70 percent of all industry assets. The FDIC must be ready to operate effectively in this environment.

In August 2004, Deputy to the Chairman and Chief Operating Officer John Bovenzi began a series of communications to share an evolving strategic vision relating to FDIC's "Workforce Planning for the Future." In working to develop a collective vision for the Corporation's future business model and workforce profile, he described a number of preliminary conclusions regarding the financial institution and regulatory environment, including changes and a continuation of ongoing trends within the industry. Two conclusions directly related to the Corporation's workforce were that (1) existing skill sets would continue and would need to be augmented by new skill sets not now available in the workforce, and (2) the FDIC of the future will be a smaller more flexible agency. FDIC divisions and offices will work to ensure their collective workforce has the organization focus and composition to be properly aligned with future corporate needs.

As a means of developing a workforce with a corporate perspective that is capable of working collaboratively to accomplish mission critical functions and responding rapidly to changes in workload, a new Corporate Employee Program was established to help create a culture that both encourages and rewards cross-divisional opportunities and experience in multiple disciplines. Programs involving cross-training and cross-divisional mobility will provide employees broader career experiences and enhanced job satisfaction while facilitating more people who have the essential training and experience in more than one business line to respond to significant events.

The Corporation's workforce has fallen to approximately 5,300 individuals as of September, 2004. In a continuance of steps in recent years to reduce the size of the workforce, authorized staffing will additionally be reduced by over 600 positions over the next year or so, resulting in substantial budget reductions in 2006. This will largely be accomplished through a combination of buyouts and reductions-in-force (RIF). A Corporation buyout program was approved and initiated in late 2004 and active planning has begun for RIFs in designated divisions and offices for late 2005 and 2006.

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 submitted a legislative proposal to give it increased flexibility in the human resources area to ensure the FDIC can continue to attract, retain, and reward our high performing employees. Hiring and retaining new talent will be important, and having hiring and retention policies that are fair and inclusive remains 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. During 2005, the OIG will participate, on a limited basis, in another corporate-wide early retirement and buyout program. The OIG plans to have a permanent staff level of 160 in 2005, compared with the 168 staff authorized for 2004.

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 will continue to be a top priority in our organization. The OIG issued a Human Capital Strategic Plan in 2002, which aligns and integrates our human resource policies and practices with the OIG mission and this is one strategic goal. Our Human Capital Strategic Plan also 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 have:

- Prepared inventories of existing workforce knowledge and workforce knowledge needed, and identified gaps in knowledge needed to accomplish future work;
- Identified and linked competencies needed for every OIG position and aligned them with job descriptions and position selecting factors;
- Developed strategies for closing the identified workforce knowledge gaps, including training, developmental assignments, recruitment and hiring, and contracting;
- Better aligned performance criteria and expectations and rewards/consequences with accomplishing the OIG strategic mission and goals.

We will continue to evaluate our workforce planning and competency investment strategies.

## ***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 the 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 Unit, staffed by agents who have been trained and certified as seized computer evidence specialists.

### ***Analyzing Existing and Needed Workforce Knowledge and Identifying Gaps***

The OIG created the *OIG Business Knowledge Inventory System* (BKIS) in 2003 to analyze existing business knowledge and skills. This inventory system was created by researching other efforts in the federal government and through input from the OIG workforce. BKIS enabled the OIG to create a database of business knowledge of OIG employees and determine where knowledge gaps existed. After detailed analyses of the results were performed, this information was provided to individual offices for each to identify potential gaps in knowledge. Major offices prepared action plans specifying how each planned to address knowledge gaps, e.g., formal training, developmental assignments, recruitment, or contracting. The BKIS baseline data remains available to offices for their use in assessing knowledge and skill gaps. Future efforts to identify knowledge gaps will involve individual offices identifying gaps and detailing specific efforts for gap closure.

### ***Integrating Core Competencies into the Human Capital System***

Consistent with our *Human Capital Strategic Plan*, the OIG initiated a multi-year project to integrate improved core competencies into its Human Capital System. The OIG *Competencies*

*Project* identified those skills and behaviors that staff members need to contribute to the overall mission and goals of the OIG. These core competencies formed the basis of an integrated and strategically aligned human capital system, which includes:

- Position descriptions
- Performance management
- Individual training and development
- Selection and promotions
- Organizational development

The OIG Competency Model enabled us to:

- Align human resource activities with OIG strategic planning;
- Replace outdated performance criteria developed years ago;
- Communicate new performance expectations clearly for every employee;
- Implement a cornerstone in the *Human Capital Strategic Plan* around which future efforts, including a training curriculum will be developed; and
- Modernize OIG human resource functions with the best practices of high performance organizations in government and the private sector.

Six competencies were developed that we believe all OIG staff need to contribute successfully to the OIG mission and goals. These competencies form the basis for expectations of every OIG employee, including executives.

- *Achieves Results*. Assumes responsibility and accountability for achieving results in support of the FDIC and OIG missions and goals.
- *Communicates Effectively*. Effectively communicates orally and in writing to promote mutual understanding, effective decision-making, and information gathering.
- *Demonstrates Teamwork*. Builds and maintains inclusive, responsive, and constructive working relationships based on mutual respect and a shared commitment to the OIG's mission, values, and goals.
- *Exhibits Technical Competence*. Demonstrates the technical knowledge, skills, and abilities necessary to effectively carry out the duties and responsibilities of his or her position.
- *Demonstrates Responsibility and Self-development*. Takes personal initiative to improve individual and organizational performance and promote the OIG's values and goals, while exhibiting high standards of professional and ethical behavior and integrity.
- *Leads Effectively* (supervisors only). Creates and maintains a high performance climate where all employees are challenged and encouraged to achieve excellence.

Each of these competencies was further defined with subsidiary criteria describing the types of performance included under the competency. Full integration of these core competencies into the OIG's human capital system helps develop a greater results-oriented, high performance culture and enhance accomplishment of OIG strategic goals and objectives.

## **Information Technology Management and Security**

### ***Corporate Environment***

Information technology (IT) continues to play an increasingly greater role in every aspect of the FDIC mission. As corporate employees carry out the FDIC's principal business lines of insuring deposits, examining and supervising financial institutions, and managing receiverships, they rely on information and corresponding technology as an essential resource. Information and analysis on banking, financial services, and the economy form the basis for the development of public policies and promote public understanding and confidence in the nation's financial system. IT is a critical resource that must be safeguarded.

Accomplishing IT goals efficiently and effectively requires sound IT planning and investment control processes. The Corporation must constantly evaluate technological advances to ensure that its operations continue to be efficient and cost-effective and that it is properly positioned to carry out its mission. Management of IT resources and IT security have been the focus of several laws, such as the Paperwork Reduction Act, the Government Information Security Reform Act (GISRA), and most recently, the Federal Information Security Management Act of 2002 (FISMA). Similar to the requirements of GISRA, under FISMA, each agency is required to report on the adequacy and effectiveness of information security policies, procedures, and practices and compliance with information security requirements of FISMA.

The Corporation is working to implement many sound information system security controls, and to fully integrate these into an entity-wide program. Additionally, efforts to identify sensitive data, plan for and fund essential security measures, incorporate security requirements in FDIC contracts, enhance software configuration management, and measure the overall performance of the information security program need continued attention. The FDIC's Information Security Strategic Plan provides for a sound information security structure and assures the integrity, confidentiality, and availability of corporate information assets by proactively protecting them from unauthorized access and misuse. Additionally, a New Financial Environment project has analyzed the FDIC's business needs and will create a financial environment that can best serve and support the FDIC in the future.

### ***OIG Environment***

The OIG has an OIG Information Technology (IT) Strategic Plan that guides internal IT priorities and ensures efficient and secure uses of IT resources within the OIG. The IT Plan lays the foundation for identifying, selecting, and using technology to support the goals and objectives of the Office of Inspector General, especially those goals and objectives detailed in the OIG's Strategic Plan and the Human Capital Plan. The goal is to keep the OIG IT Plan updated and current to ensure that it is responsive in meeting the OIG's IT needs and requirements to achieve the best possible return on investment.

Our overarching IT goal is to better link information technology planning and investment decisions to program missions and goals, thus helping ensure that OIG managers and staff have the IT tools and services they require to successfully and productively perform their work. The OIG IT vision is to enable our managers and staff, through reliable, secure, and modern technology, to be more productive and responsive. To help realize the goal and vision, we will

pursue IT solutions that optimize our effectiveness and efficiency, connectivity, reliability, and security, and serve as a model organization for employing best practices in managing our IT systems, services, and investments.

## **Process Improvement: Quality Assurance and Risk Management**

The OIG's value to the FDIC and to the Congress must be based on a foundation of work that is of the highest quality. Maintaining high standards of quality is essential to achieve the vision, mission, and goals laid out in this strategic plan, consistent with our core values. Ensuring quality requires an effective program of risk management to effectively assess and address risks to the OIG and the FDIC. To continue to ensure and enhance our strategic commitment to quality and risk management, we are developing a quality assurance framework and a related enterprise risk management framework.

These complementary initiatives are designed to ensure that our approach to quality and risk management is comprehensive, transparent, and based on world class best practices. As a result, OIG governance will be maintained at the highest level and will incorporate mechanisms for continual improvement.

### ***Quality Assurance Framework***

Corporate governance deficiencies in the private sector and related audit quality failures by the public accounting profession have been well publicized. Within the federal inspector general community we have promoted increased attention to audit quality as a key mechanism to prevent similar problems within the public sector. A key aspect was our leadership role in the 2003 update of the *Quality Standards for Federal Offices of Inspector General* issued by the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency. These councils, established by executive order, coordinate activities within the OIG community and establish professional standards.

Building on and incorporating the Inspector General Act and other related laws and standards, these updated quality standards for federal IGs encompass the broad range of OIG activities and functions and address: ethics, independence, and confidentiality; professional standards for audits, inspections, evaluations, and investigations; internal control standards and activities; internal and external quality assurance programs including peer reviews; strategic and annual planning and coordination; communicating results of OIG activities; managing human capital; reviewing legislation and regulations; and receiving and reviewing allegations. Of particular note, these standards incorporate the 2003 revisions of the *Government Auditing Standards* (issued by the Comptroller General of the United States) with which IGs are mandated to comply under the IG Act. The revisions made significant improvements to the independence standard applicable to audit work.

Consistent with these quality standards, the OIG is developing a quality assurance framework that will provide a comprehensive documentation of the mechanisms the FDIC OIG has in place to ensure that OIG work meets the highest level of quality and provides the highest value to the FDIC and the Congress.

## ***Enterprise Risk Management Framework***

Enterprise risk management (ERM) – the process of identifying and analyzing risk from an integrated, organization-wide perspective – has been circulating and evolving as a business concept for several years. It is closely related to the Chief Risk Officer (CRO) concept. The ERM and CRO concepts have gained additional impetus as a result of corporate governance problems that have arisen in the private sector that led to the passage of the Sarbanes-Oxley Act in 2002. Although many organizations are aware of ERM, and various ERM models exist, there has been no single, commonly accepted definition of risk management and no single, generally accepted framework on how the process should work.

We believe the ERM concept has applicability to public as well as private sector organizations and we have initiated work to analyze its applicability to the OIG and FDIC environments. During this assessment process, we are evaluating various models including, in particular, the *Enterprise Risk Management – Integrated Framework* released in September 2004 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO is composed of the American Institute of Certified Public Accountants, the American Accounting Association, Financial Executives International, the Institute of Internal Auditors, and the Institute of Management Accountants.

Growing out of our assessment, we are developing an enterprise risk management framework for the OIG that will provide an integrated organization-wide, strategic approach to measuring and managing all of OIG's risks in order to (1) maximize the OIG's value in relation to risks and (2) provide reasonable assurance that OIG's mission and strategic goals and objectives will be achieved. Because of the interrelationship of the OIG risk management and FDIC-wide risk management, our initiative will necessarily consider the broad FDIC risk management environment and processes. We expect that the concepts, parameters, and model resulting from our initiative may be valuable to the Corporation as it continually improves its risk management programs and practices.

## **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 reduction 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 frequently has to respond to external requests and requirements beyond what is planned for in our workload and resource estimates. These requests often require immediate response and shifting of workloads and priorities. Examples include congressional mandates, inquiries, and 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 planned goals and objectives.

### **Resolution of Failing Financial Institutions**

Uncertainties in the environment in which financial institutions operate present a challenge to planning OIG resources and activities. The financial institution environment evolves rapidly, particularly with the acceleration of interstate banking, new banking products and asset structures, electronic banking, and consolidations. Also, economic conditions can have a significant effect on the risk profiles of FDIC-insured financial institutions. For instance, 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 by the FDIC. An increase in institution closings and assets to be liquidated could require the OIG to reallocate 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. Such factors, which are beyond our control, could hinder the OIG's ability to achieve its planned goals.

### **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 increased 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 interest 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. These changes are being driven by financial modernization, privacy concerns, industry consolidation, the emergence of new institutions, new trends in borrowing and lending, globalization, and emerging technology. More major changes for the financial services industry may be in store in the coming years. The OIG will continue to monitor these changes 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 assignments, reports, recommendations, time, and independent public accountant assignments, 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 are 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 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 support and administrative activities), will selectively validate performance data on a test basis, as appropriate, to meet review objectives.