

# Office of Inspector General



## *Strategic Plan*

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**1999 - 2004**

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## ***Introduction***

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The Government Performance and Results Act of 1993 (Results Act) was enacted to improve the management, effectiveness, and accountability of federal programs. The Results Act requires most federal agencies, including the Federal Deposit Insurance Corporation (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 FDIC Office of Inspector General (OIG) 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 illustrate and communicate that we are providing value to the Corporation, and help identify where changes are needed to improve organizational effectiveness and efficiency. The OIG Strategic Plan lays the foundation for establishing goals, measuring performance, and reporting accomplishments consistent with the principles and concepts of the Results Act.

The OIG Strategic Plan sets forth the broad goals and objectives for implementing the OIG's mission of promoting economy, efficiency, and effectiveness, and protecting against fraud, waste, and abuse in FDIC programs and activities over the next 5 years. It articulates the OIG's vision to promote good government and strive for continuous improvement in FDIC programs and operations. The Strategic Plan focuses on long-term goals and objectives related to providing quality products and services that add value to Corporation programs and operations. It also focuses on providing professional advisory services, maintaining external communications, and managing OIG resources effectively. The Strategic Plan includes a description of the means, strategies, and resources that will be needed to achieve our goals, and identifies key external factors beyond the OIG's control that affect our ability to accomplish the stated goals. The Strategic Plan serves as the foundation for the annual planning process in the OIG.

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

## **Our Mission Statement**

*The Office of Inspector General promotes the economy, efficiency, and effectiveness of FDIC programs and operations, and protects against fraud, waste, and abuse, to assist and augment the FDIC's contribution to the stability of, and public confidence in the nation's financial system. We accomplish our mission by conducting independent audits, investigations, and evaluations, and by keeping the Chairman and the Congress fully and currently informed of our work.*

## **Our Vision Statement**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The OIG has adopted strategic goals and objectives that are included in this plan and have been incorporated in the OIG Annual Performance Plan for 1999. This section summarizes the OIG's strategic outlook through 2004 as we continue to strive to achieve our mission through accomplishment of our strategic goals and objectives.

### **The Environment of Corporate Challenges**

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

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

- Addressing emerging risks in the banking industry;
- Continuing effective supervision of insured depository institutions;
- Addressing Community Reinvestment Act and consumer protection issues;
- Meeting unprecedented Year 2000 technology challenges;
- Monitoring corporate information technology initiatives and investments;
- Providing effective oversight over contractor activities;
- Maintaining strong oversight of asset management, liquidation, receivership, and resolution activities as the asset base declines;
- Ensuring effective corporate operations in a downsized environment;
- Continuing to focus on measuring corporate results consistent with concepts established under the Government Performance and Results Act; and
- Collecting court-ordered restitution due the FDIC from the large backlog of cases emanating from the savings and loan and banking crises.

## OIG Strategic Challenges

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

- More performance-type audits which address underlying systemic issues;
- Improved targeting of audit work to meet client needs;
- More timely communication of audit results during the audit process;
- Continuing to provide professional advisory services to corporate management;
- Continued monitoring of corporate Year 2000 initiatives;
- Increased role with GAO in conducting the Corporation's annual financial statement audit, ultimately leading to the OIG's full assumption of this responsibility;
- Designing audit and evaluation work to address Government Performance and Results Act concepts;
- Implementing various audit process and system improvements;
- Transforming to a more proactive investigative organization;
- Expanding cooperative efforts with the Division of Resolutions and Receiverships to address asset concealment and restitution issues;
- Continued participation on the Department of Justice's New England Bank Fraud Task Force;
- Establishing a separate full service OIG personnel office to ensure OIG independence in personnel actions and decisions;
- Seeking to establish a separate OIG function for handling Freedom of Information Act and Privacy Act requests and appeals involving OIG records; and
- Establishing an internal initiative and process to ensure that the OIG builds an organization that continually learns and grows and is capable of meeting future challenges.

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

## ***OIG Strategic Goals, Strategic Objectives, and Operating Principle***

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The OIG Strategic Plan focuses on 4 strategic goals, 17 strategic objectives, and an operating principle. The strategic goals, objectives, and operating principle are presented in tree diagram format on the next six pages. Page 9 presents the OIG's mission statement, strategic goals, and operating principle in relation to the FDIC's mission statement, strategic result areas, and corporate operating principle. The OIG's strategic goals and operating principle link to and directly support the FDIC's strategic result areas as well as the corporate operating principle. Presented separately on pages 10 – 14 are the OIG's 4 strategic goals and operating principle and the related objectives.

### **Strategic Goals and Objectives**

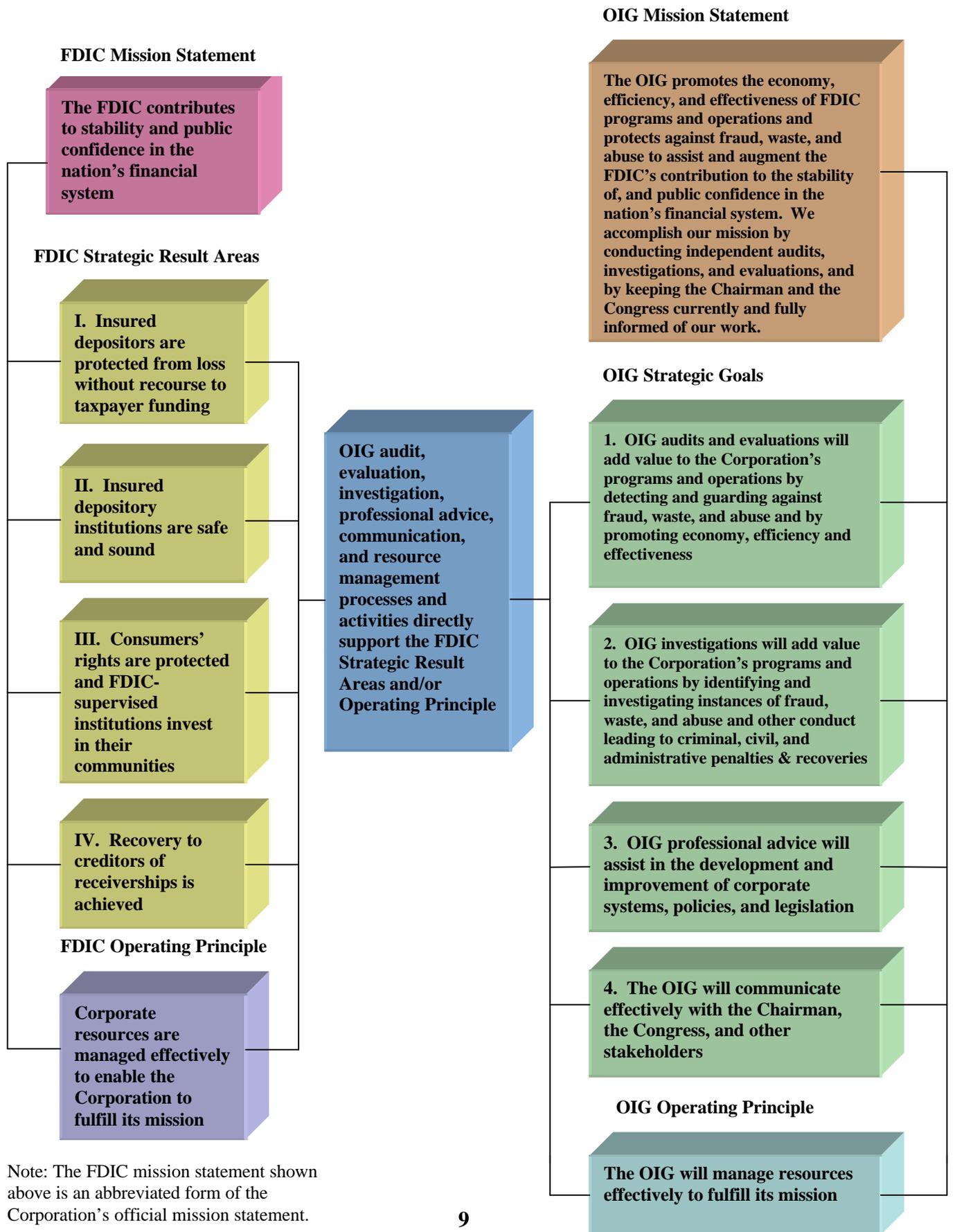
- Strategic Goals 1 and 2 address the core audit/evaluation/investigative activities. Strategic Goals 1 (Audit/Evaluation) and 2 (Investigation) include strategic objectives which reflect key concepts indicative of value – Relevance, Timeliness, Client Satisfaction, Quality, Productivity, and Impact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

To implement our strategic plan and achieve our strategic goals and objectives, the OIG's Annual Performance Plans will establish specific performance indicators and annual goals that are directly linked to our four strategic goals through the related strategic objectives. Also, we are committed to the continued development of performance indicators that better measure the impact and results of OIG work.

### **Operating Principle**

In addition to the four strategic goals, the OIG has adopted an Operating Principle that encompasses key internal resources that are essential to the achievement of our mission. The principle commits the OIG to the effective management of resources related to staffing, information technology, professional standards, internal controls, communications, legal advice, and administrative services. The OIG's Operating Principle closely parallels the Corporation's Operating Principle and relates only to internal OIG services and activities; whereas the four strategic goals involve OIG external interactions with stakeholders. As an internal operating principle rather than a goal for providing services to OIG clients, detailed annual performance goals for these activities are maintained in a subsidiary internal annual performance plan rather than in the 1999 OIG Annual Performance Plan.

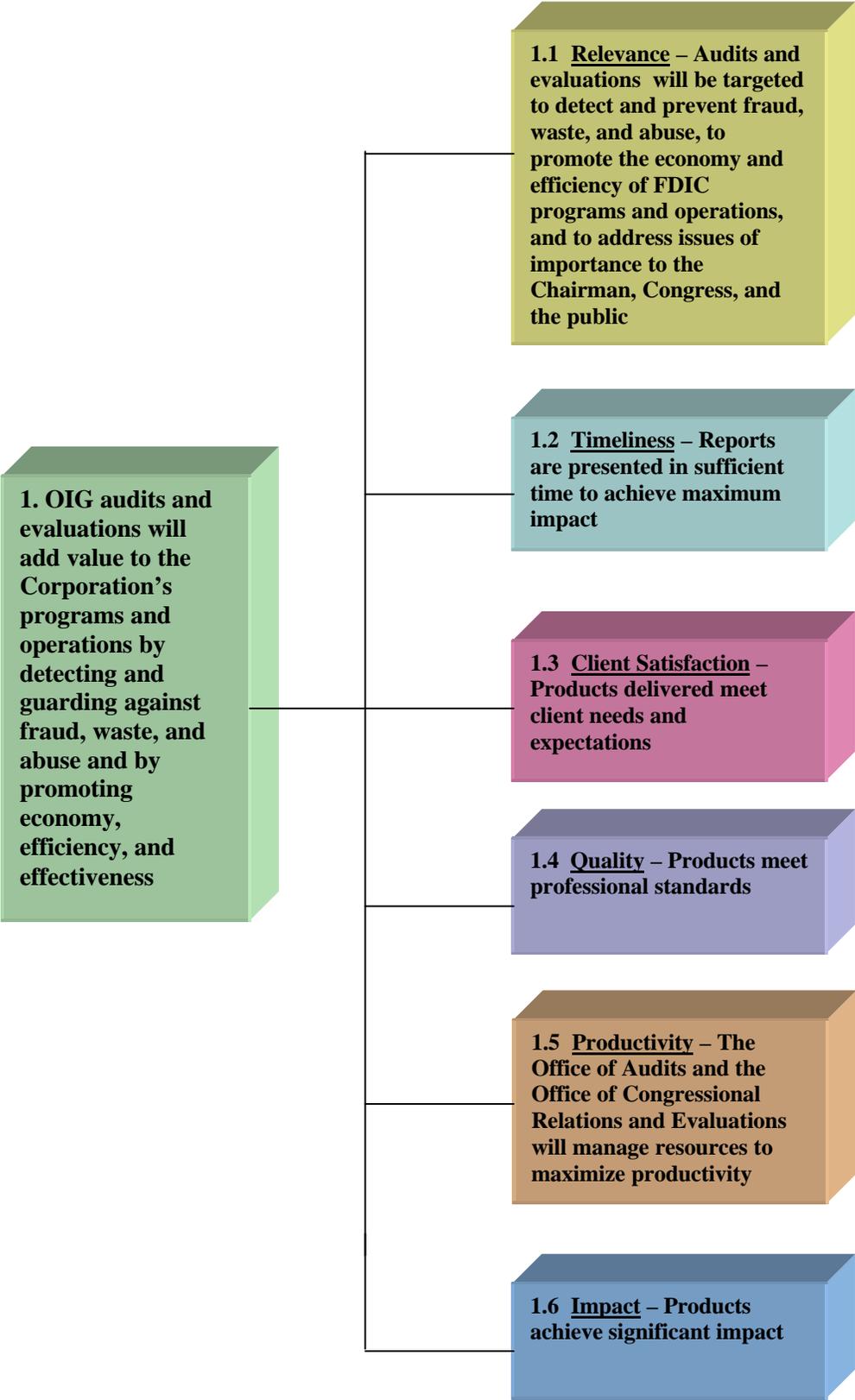
# Tree Diagram of OIG Goals, Objectives, and Operating Principle



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

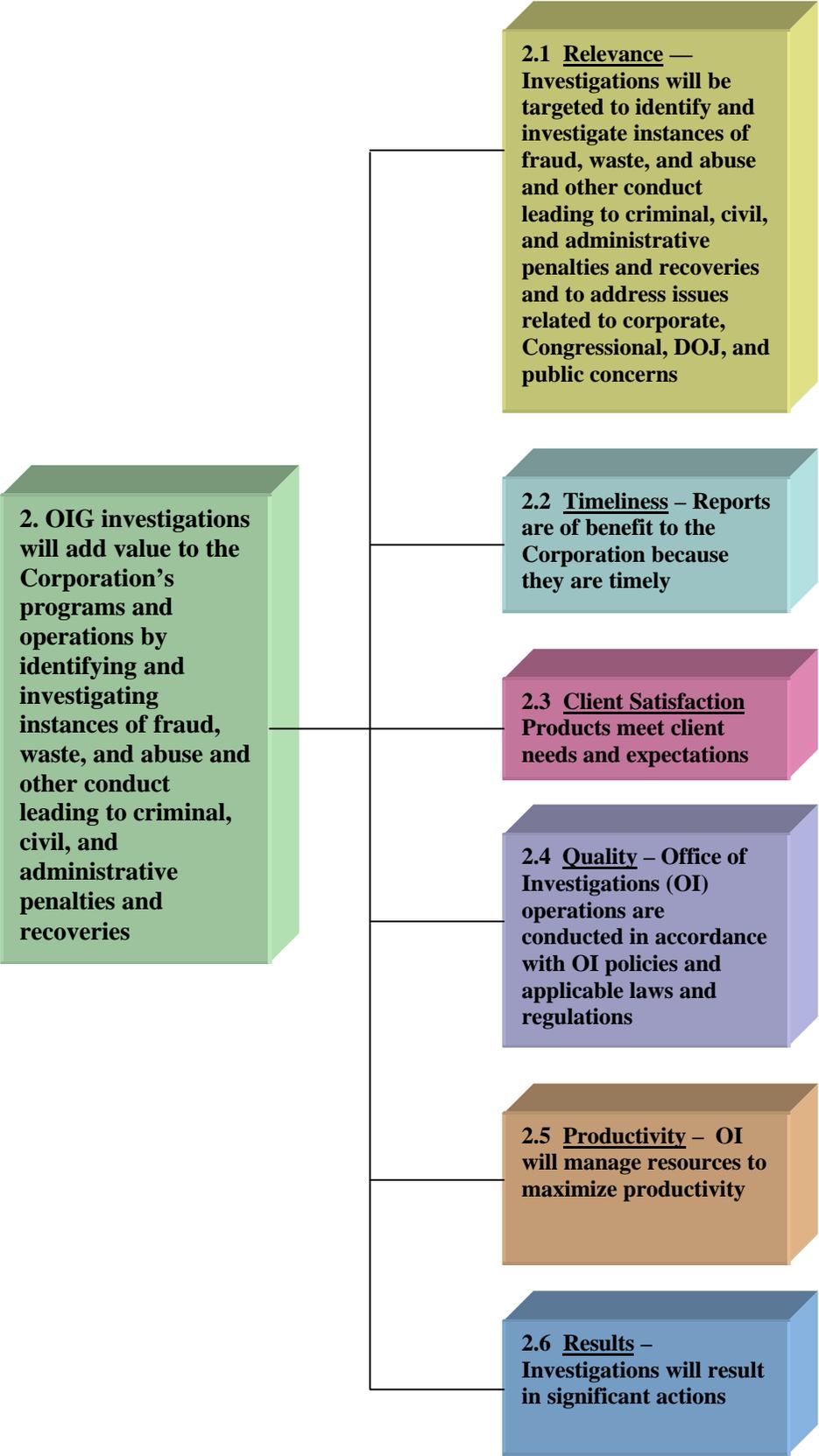
**OIG  
Strategic Goal 1**

**Related  
Strategic Objectives**



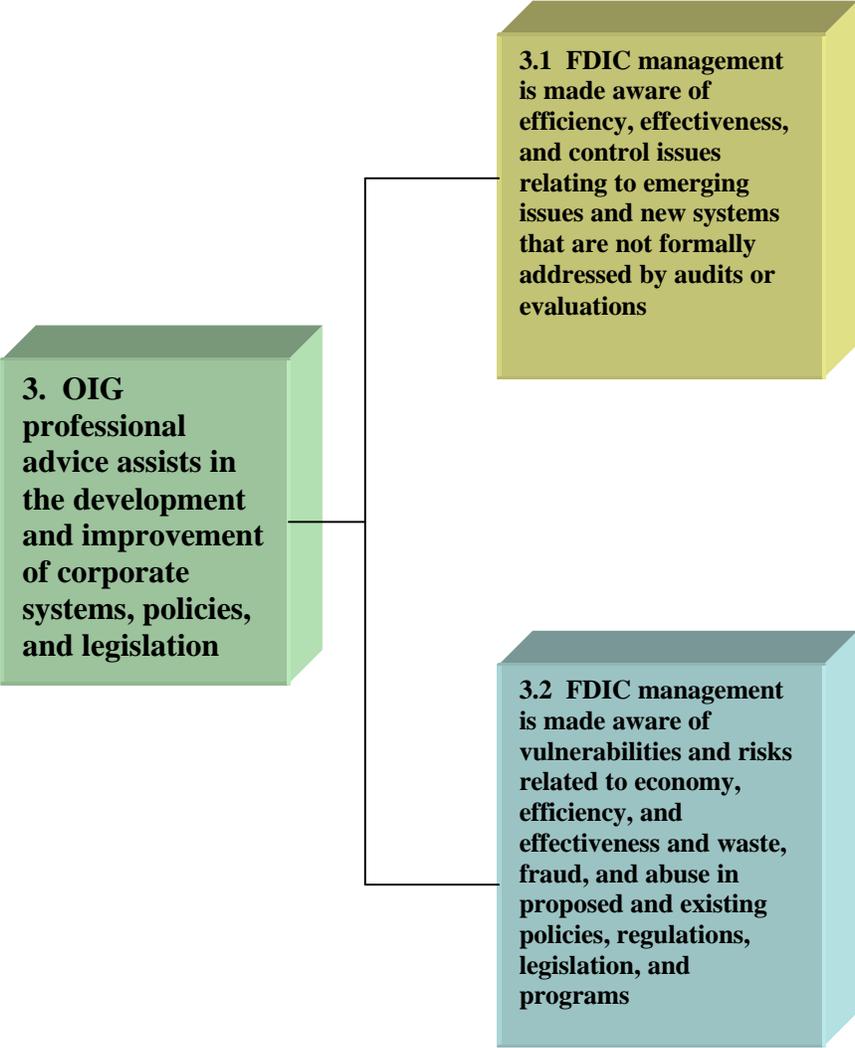
**OIG  
Strategic Goal 2**

**Related  
Strategic Objectives**



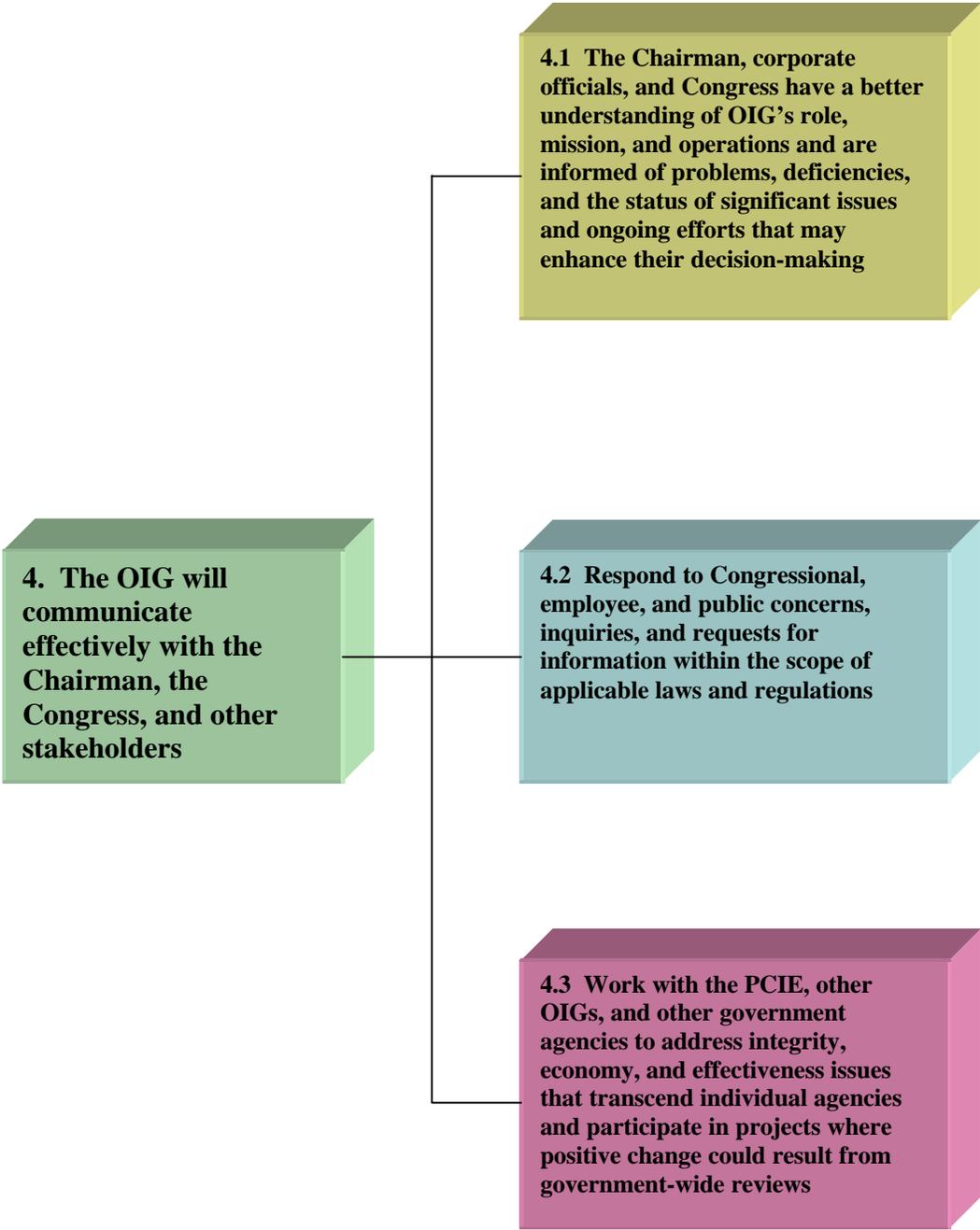
**OIG  
Strategic Goal 3**

**Related  
Strategic Objectives**



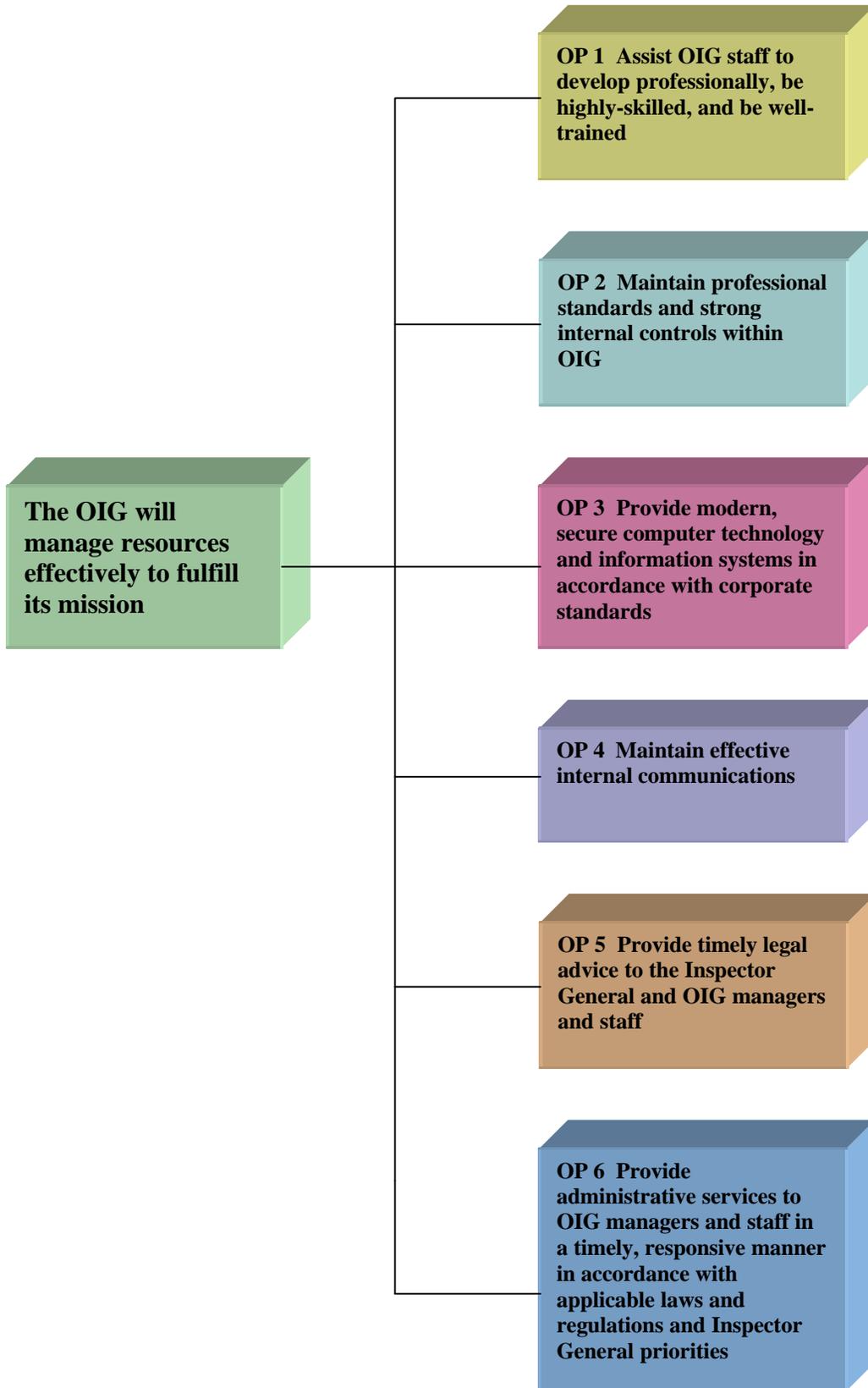
**OIG  
Strategic Goal 4**

**Related  
Strategic Objectives**



**OIG  
Operating Principle**

**Related Resource  
Management Objectives**



## ***Means and Strategies***

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This section describes the key activities and operational processes; major strategies and initiatives; human resources; and information technology requirements that are necessary to achieve the OIG's goals and objectives.

### **Key Activities and Operational Processes**

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

Independent legal services for the OIG, provided by the Counsel to the Inspector General, are a key activity. Counsel's services encompass every facet of OIG operations, including providing legal research and writing opinions; preparing subpoenas and providing supportive advice and counsel on audit, investigative, and management-related topics; 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-a-vis other officials within the FDIC, other government agencies, Congress, or other persons outside the FDIC.

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

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

The audit planning function is one of the key processes within the OIG. In 1996, we developed for the first time, a 5-year strategic audit plan which captures in one document the universe of auditable entities and a comprehensive strategy to ensure that the OIG targets its audit coverage

to areas of corporate importance and concern and meets the requirements of the Inspector General Act and other legislation. Except for some minor modifications, the basic rationale and workload assumptions developed for this plan are still valid and will continue to guide our audit efforts. The audits in the plan are categorized into strategic areas that parallel the Corporation's strategic plan and address the major components of the FDIC performance plan and internal control strategies. These audits are ranked according to a variety of risk factors that include, for example, materiality, fraud and abuse potential, and the adequacy of internal controls. Our audit strategy balances the need to conduct "high-risk" audits along with those audits that are needed to ensure essential coverage of other FDIC activities. The annual audit plan, which is the next step in the planning process, will then identify the specific audits that need to be performed based on input from FDIC management and more in-depth review of audits in our universe and audit plan.

Another key OIG process is the review of allegations received by our investigations staff. These allegations need to be carefully evaluated to determine whether opening an investigation is warranted. Since the initial information provided by an allegation is frequently insufficient to form the basis for opening an investigation, we often must "test" the information with key interviews or file reviews. The results of these activities are then compared to the allegation and a determination is made to either open an investigation or close the complaint file. The OIG has begun to reevaluate the characteristics of allegations on which it will expend time and effort while maximizing the value to the Corporation.

### **Major Strategies and Initiatives**

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

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

- *More Performance-type Audits* – To improve the effectiveness of our audit resources and make our audits more useful to FDIC management, we plan to broaden the focus of our audits to include more performance-type auditing. That is, we will concentrate more on audits that identify the systemic cause of the noncompliance and recommend program-wide improvements rather than perform many narrowly scoped audits of smaller segments of a program, such as individual contractors or law firms.
- *Target Audit Work to Customer Needs* – To improve the usefulness of our audit efforts, we will periodically survey our customers' needs and refocus our efforts accordingly. If management perceives heightened risk in any area of the Corporation's activities or operations, we will adjust audit coverage as appropriate based on our evaluation. We will also obtain input from our customers to determine their satisfaction with our work. Also, we will measure such things as the timeliness of our reports, the effectiveness of our recommendations, and the relevance and impact of our reviews. This information will be

gathered through survey questionnaires, oral briefings, follow-up reviews, and other feedback mechanisms.

- *Monitoring Year 2000 Efforts* – The FDIC has been directing significant efforts and resources toward addressing Year 2000 issues. Internally, the FDIC faces the task of identifying systems, processes, and facility operations that rely on date calculations and ensuring that these systems work properly. In addition, the FDIC is heavily involved in supervising financial institutions as they prepare for the Year 2000. For the past 18 months, the OIG has closely monitored the FDIC’s efforts to address Year 2000 issues, both internally and in its supervisory role. We have frequently provided observations to management regarding its plans and actions in this issue area and will continue our involvement throughout 1999 and beyond.
- *Increased Role in Financial Statement Audit* - The Chief Financial Officers Act requires that government corporations have their financial statements audited annually and that corporations submit an annual management report to the Congress. The U. S. General Accounting Office (GAO), the FDIC auditor of record, has a legislative mandate to conduct an audit of the Corporation’s financial statements. GAO and the FDIC OIG have established a plan whereby the OIG would work toward assuming a greater role in the audit with the ultimate goal of becoming auditor of record. The OIG has devoted extensive resources to this effort and plans to work to bring about the necessary legislative change to shift full responsibility for the audit to the FDIC OIG. The Corporation will benefit through OIG efforts to streamline the audit process and provide cost savings to the Corporation.
- *Designing Audits and Evaluations to Address Results Act Concepts* – In considering and performing our audits and evaluations, a key goal is to assess the manner and extent to which all FDIC programs and activities achieve their intended objectives, as outlined in the FDIC Strategic Plan. Accordingly, we are beginning to incorporate Results Act related review steps in our audit and evaluation work. For example, we have initiated reviews to verify that systems used to capture performance data are adequate and reliable and the data/results are accurate. We plan to perform additional reviews of other FDIC divisions and offices. We are mindful that, consistent with Results Act requirements, management will use the results of our audits and evaluations to establish and revise strategic goals and objectives, as appropriate.
- *More Scrutiny of Audit Surveys to Target Audit Work* – To ensure we conduct our audits in needed areas and provide adequate coverage of corporate programs, we will emphasize a more formal evaluation of the benefits of continuing an audit at the end of the survey or initial stage of an audit. The scope of the audit will then be appropriately adjusted. For those audits that we decide to discontinue, we will reallocate resources to higher risk audit areas.

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

- *Transformation to a Proactive Investigative Organization* – To enhance the impact of OIG investigations and maximize our returns to the Corporation, the OIG has initiated a process

by which we are changing from a reactive to a proactive organization. That is, we will identify potential problem areas and actively seek out indicators of fraud instead of waiting for allegations to be referred to us. If we continue to remain reactive, we may not devote our limited resources to the areas where we could be most effective on behalf of the Corporation. We have begun the changeover to a proactive organization by targeting specific high-return, high-risk areas involving the FDIC mission. These areas concern fraudulent bankruptcies, hiding assets to avoid paying court-ordered restitution to the FDIC, making false statements to the FDIC in order to secure favorable loan compromises and settlements, and ongoing fraud involving solvent banks. We have been meeting with internal program managers and external entities such as bankruptcy trustees, probation officers, and the Department of Justice to make them aware of our existence, expertise, and willingness to become involved.

- *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 these new “concealment of assets” related crimes and can cooperatively work more effectively to recover a larger percentage of court-ordered restitutions.
- *Participation on Department of Justice (New England) Bank Fraud Task Force* - The OIG has also increased its efforts on the New England Bank Fraud Task Force, which was established in 1991 as part of the Department of Justice’s campaign to combat fraud against federally insured institutions. We have detailed one of our agents to serve on the task force and have also committed other agent resources to develop and pursue allegations received by the task force.

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

- *More Timely Communication of Audit Results* – To ensure that we make more timely recommendations, we will provide earlier feedback on our results. For example, during our audits of the implementation of automated systems, we will work closely with management to provide immediate recommendations for improvements up-front as critical decisions are being made, not after the fact.
- *Providing Professional Advisory Services* – The OIG will continue to focus its efforts and resources on providing professional advisory services to FDIC management and respond to management’s requests for advice and technical assistance. For example, the OIG will continue to proactively comment on FDIC draft policies, regulations, and legislation affecting FDIC programs and operations; assist the FDIC in improving its operations and internal controls through participation on FDIC task forces; and advise and consult with management regarding required Results Act documents and activities, as well as work with interagency Results Act interest groups. We recognize that management is accountable for their programs’ success or failure and we believe our role is to assist management with such efforts, without sacrificing our independence and objectivity.

- *Establish Separate OIG Function for FOIA Requests and Appeals* – The OIG will renew its efforts to obtain a delegation of authority from the FDIC regarding requests and appeals under the Freedom of Information Act and the Privacy Act, whereby the OIG would receive, process, disclose or, when necessary, withhold OIG records or information responsive to such requests, without further concurrence by the FDIC, unless non-OIG FDIC records are involved. The function of processing FOIA requests and appeals is held by many of the other inspectors general within the federal government. Maintaining this function in the OIG would enable the OIG to better protect the sensitivity of its records, and would decrease the response time due to fewer layers of review than under current FDIC procedures.
- *Continue to Support and Participate in PCIE Activities* – The OIG will continue its active role in the President’s Council on Integrity and Efficiency activities, initiatives, and committee involvement.

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

- *Making Audit Process and System Improvements* - The OIG has initiatives in several areas to enhance the overall efficiency and effectiveness of audit operations by improving our audit processes and systems. These efforts include expanding the pilot program for automated workpapers; reexamining the audit report tracking system; continuing efforts to improve the audit reporting process; and establishing a basic ordering agreement to procure audit services from independent public accounting firms.
- *Establish Separate OIG Personnel Function* - The OIG will begin assuming responsibility for an independent full service personnel office in 1999 in accordance with the Chairman’s July 6, 1998 memorandum to the Inspector General. No later than the beginning of fiscal year 2000, the OIG will assume control over all personnel functions now performed by the Personnel Services Branch in accordance with a transition schedule under development. The IG Act provides that the Inspector General may “select, appoint and employ” OIG employees, and “enter into contracts for audit and other services” within limits of appropriated funds.
- *Internal Task Groups Will Bring Improvements* – The OIG will continue to utilize internal task groups to streamline and improve our operations and infrastructure to become a more efficient and effective organization. Multiple internal task groups are currently looking at such diverse issues as identifying better ways to measure office results; making more effective use of the awards process; ensuring more meaningful performance appraisals; and addressing professional membership, training, and technology needs. We believe that forming such working groups will help maintain a quality OIG workforce that adds maximum value to the Corporation.
- *Build the OIG into a Learning Organization* - We are initiating a project and internal process to build the OIG into an organization that continually learns and grows and is capable of meeting future challenges.

## **Human Resources (Staffing and Skills Requirements)**

### Staffing

In 1998, as in prior years, the OIG conducted an extensive workload analysis for 1999-2003 to determine staffing needs. In coordination with the Corporation's downsizing efforts, we were authorized 237 staff for calendar year 1999 to accomplish our workload. We anticipate reducing our staff to 220 for calendar year 2001 and beyond. Of course, we will review our needs annually and, if warranted, make further adjustments. We anticipate that we can reach the 2001-2003 staff level through normal attrition.

Our workload analysis identified areas where work will decrease because of completion of many RTC-related matters, a reduced Corporation asset liquidation workload, and a low bank failure rate. However, our workload analysis identified the following areas (many of which were discussed under Major Strategies and Initiatives) where the OIG needs to commit more resources to carry out our responsibilities and improve our operations.

- Auditing the corporate financial statements, in cooperation with GAO, as required by the Chief Financial Officers Act and other legislation.
- Auditing the Corporation's efforts to ensure that the Corporation and financial institutions it regulates have information systems that are Year 2000 compliant.
- Designing audit and evaluation work to address GPRA concepts.
- Conducting quick response evaluations of programs in response to requests from corporate officials, the Congress, and others.
- Improving and maintaining our strategic and performance planning efforts and the quality of our work products.
- Reviewing the adequacy of the FDIC's risk management programs, including the bank examination function.
- Investigating instances where debtors conceal assets to avoid court-ordered restitutions to the FDIC.
- Working with the FBI and Department of Justice to investigate major fraud in open banks.
- Establishing a separate, full service OIG personnel management function to ensure OIG independence in personnel actions and decisions.

Reductions in our authorized staffing will severely hamper the OIG's performance of its statutory responsibility to conduct audits and investigations of the FDIC's operation and programs.

## 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 over 50 hours of continuing professional education and training annually. The OIG staff must also possess and maintain the necessary skills and abilities of their respective disciplines in order to meet the unique objectives and challenges of their assignments. For example:

- *Auditors* are required to have knowledge of accounting principles and the methods and techniques applicable to government auditing; knowledge of government organizations, programs, activities, and functions they are reviewing; and the skills to communicate clearly and effectively, both orally and in writing. In addition, depending on the type of audit being conducted, auditors may have to possess statistical sampling skills, computer audit skills, or be a licensed certified public accountant.
- *Criminal investigators* are required to have a thorough and current knowledge of laws concerning search and seizure, arrests, advisement of rights, surveillance, and the right to privacy - both personal and financial. In addition to knowledge of accounting principles, they should also be proficient at interviewing and eliciting information from all types of sources. Criminal investigators must be able to react quickly and appropriately to changing situations and be able to use their expertise in self-defense, use of force principles, and firearms. The OIG has recruited a National Training Coordinator who will devote approximately 50 percent of his time to improving our investigations training program in the area of self-defense, non-lethal use of force, physical fitness, and firearms accuracy. We have allocated 165 hours annually for each special agent in the areas of training and professional development.
- *Attorneys* need to comply with continuing legal education requirements established by the applicable courts and the governing state bars to which the attorneys belong as a requirement for admission to practice law before the various federal courts, and to be more effective in representing the OIG.

## New Skills Requirements

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

## **Information Technology**

The OIG will continue managing its own information technology and computer operations. In 1999, the OIG anticipates upgrading the network to Windows NT 5.0, consistent with corporate plans. In addition, the OIG expects to continue developing modern information systems for managing its audits, investigations, and other activities and ensuring that all systems in use are Year 2000 compliant.

## ***Relationship of Strategic Goals to Annual Performance Goals***

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Under the Results Act, agencies' strategic plans and goals are to be linked to their annual performance goals. This linkage is important because it allows Congress and other agency stakeholders to assess whether an agency is making progress toward achieving its long-term goals and objectives. To establish this linkage, the OIG's Annual Performance Plans will include objective, measurable, and where appropriate, quantifiable annual performance goals that will help measure progress in meeting our strategic goals and objectives.

In our Annual Performance Plans, each of our annual performance goals will be linked directly to and support a specific strategic objective, which in turn is linked to and supports a specific strategic goal. This relationship will be represented schematically in a tree diagram, similar to the one found on pages 9-14 of this Strategic Plan. For example, to support the OIG's strategic goals of adding value to the Corporation's programs and operations (Goal 1 and Goal 2), the OIG's Annual Performance Plans will include goals related to improving the relevance, timeliness, client satisfaction, quality, productivity, and impact/results of our audit, evaluation, and investigation products and services. Many of the goals will identify specific numerical target levels of performance to be achieved during the year. For many of these goals, we will establish similar goals in our succeeding years' performance plans that set incrementally increased target levels from the previous year.

In accordance with the Results Act, we will measure and report on our success or failure in achieving each annual performance goal in our annual Program Performance Reports. From the performance reports, our stakeholders, including Congress, can determine the extent to which we are meeting our strategic goals and objectives. We will also periodically assess the results of our performance and appropriateness of our performance measures and goals, and make changes, if warranted, to our long-term goals and objectives.

## ***Impact of External Factors***

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

### **Budget**

One of the most significant external factors that affects achievement of our goals is our budget. Unlike other FDIC divisions and offices, the OIG is subject to funding through the congressional appropriations process. Our strategic goals and objectives are predicated on the assumption that budget and staffing levels will remain constant over the next 5 years. A significant decrease in personnel or dollar resources would adversely affect the achievement of these 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 that were not planned for in our workload and resource estimates. The requests often require immediate response and shifting of work. Examples include congressional inquiries, Chairman and management requests, hotline complaints, or other high priority requests for audits, evaluations, and investigations. These requests can require huge amounts of time and resource expenditures that are not easy to accommodate and which impact our planned workload demands. An increase in external requests above projected levels may have an adverse effect on meeting our stated goals and objectives.

### **Economy**

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

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

### **Year 2000**

For many years information technology has internally represented the year in dates as two digits. The first two digits were originally eliminated because of the high cost and limited availability of

computer memory storage space, and this practice has remained as a *de facto* programming standard in both legacy and more recent systems. Unless these systems are modified to change the date format to a four-digit year, January 1, 2000, will be interpreted as January 1, 1900, in many types of computer software and hardware. This problem will affect numeric validations, date comparisons, arithmetic operations, and chronological sorts.

As discussed in the FDIC's Strategic Plan, the year 2000 problem represents a considerable risk to the banking industry's safety and soundness and could result in a significant increase in resolution activity. An increase in resolution activity may require that the OIG reallocate its resources to ensure that such activity is adequately reviewed and monitored for compliance with FDIC policies and procedures.

### **Possible Legislative Initiatives**

Legislation has been introduced in Congress that if passed, could significantly affect the duties, responsibilities, and reporting requirements of Offices of Inspector General. The *Inspector General Act Amendments of 1999* (S.870) would establish a renewable 9-year term of office for presidentially appointed Inspectors General; require that all OIGs undergo an external review every 3 years to evaluate their management and controls of contracts, appropriated funds, and personnel actions; require annual reports rather than semiannual reports to be submitted to Congress; and consolidate smaller OIGs into larger, department-wide offices. Passage of this bill or similar legislation will increase the OIG's legislatively mandated work and require additional resources or a reallocation of resources to accomplish this work.

## ***Program Evaluations***

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Program evaluations are defined in the Results Act as “...an assessment, through objective measurement and systematic analysis, of the manner and extent to which Federal programs achieve intended objectives.” Program evaluations are designed to provide decision-makers with information concerning their programs’ performance and results achieved, and should be an integral part of the strategic and annual planning process. The OIG will rely on several program evaluation-type mechanisms to assess the extent to which we are meeting our intended objectives and to evaluate progress in meeting our strategic goals. These mechanisms include the following:

- *Internal Quality Assurance Reviews* - The objective of our internal quality assurance program is to determine whether adequate policies and procedures were designed and placed in operation (including management controls) to provide reasonable assurance of achieving program goals, while fully adhering to professional standards. Quality assurance reviews are modeled after and build on the PCIE external peer review methodology. They are designed to identify variances in operations and ensure the OIG has established the necessary systems to maintain control and accountability. This accountability will ensure work quality and information availability for future planning, budgeting, reporting, and performance management.
- *External Peer Review* - The IG Act and the "Government Auditing Standards" require that each audit organization should have an appropriate internal quality control system in place and undergo an external quality control review every 3 years. The PCIE has issued guidance for conducting external peer reviews. The objective of an external quality control review is to determine whether the OIG’s internal quality control system is in place and operating effectively to provide reasonable assurance that established policies, procedures, and applicable auditing standards are being followed. Specifically, the review is intended to provide the review team with a reasonable basis for expressing an opinion on whether, for the year under review, (1) the OIG’s internal quality control system for its audit work was designed in accordance with the PCIE quality standards for audits, *Policy Statement on Internal Quality Control and External Quality Control Reviews*, dated April 1997; and (2) the OIG’s quality control policies and procedures were being complied with in order to provide the OIG with reasonable assurance of conforming with *Government Auditing Standards*.
- *Internal Control Reviews* – Under the Corporation’s Internal Control and Risk Management Program, the OIG has established six accountability units (AUs) that encompass the OIG’s major functional and programmatic areas. AU managers rely on internal control systems and procedures to manage risk and ensure that the organization's mission is accomplished. Internal control reviews (ICRs) of accountability units are designed to determine whether adequate internal controls are in place, operating as intended, and accomplishing the control objectives. Under the corporate program, AUs are to undergo a risk reassessment annually and must also have periodic internal control reviews according to a timetable determined by the assessed level of risk for the AU. The frequency of internal control reviews is specified as every year for “high” risk AUs, every 2 years for “medium” risk AUs, and every 4 years

for “low” risk AUs. The information gained from performance of ICRs may contribute substantially to the objectives of program evaluations.

- *Quarterly Performance Reporting Process* – At the beginning of 1997, the OIG implemented a quarterly performance reporting process that provides information concerning goals set forth in our annual performance plans. The quarterly performance reports provide detailed information to OIG management on the current status of their annual performance goals and whether they are on target for achieving them. Through the quarterly performance reports, management can review reported data for its consistency with performance measures and evaluate progress toward meeting our long-term goals and objectives. Information for the quarterly reports will be collected through various sources, including automated tracking systems and customer surveys.