



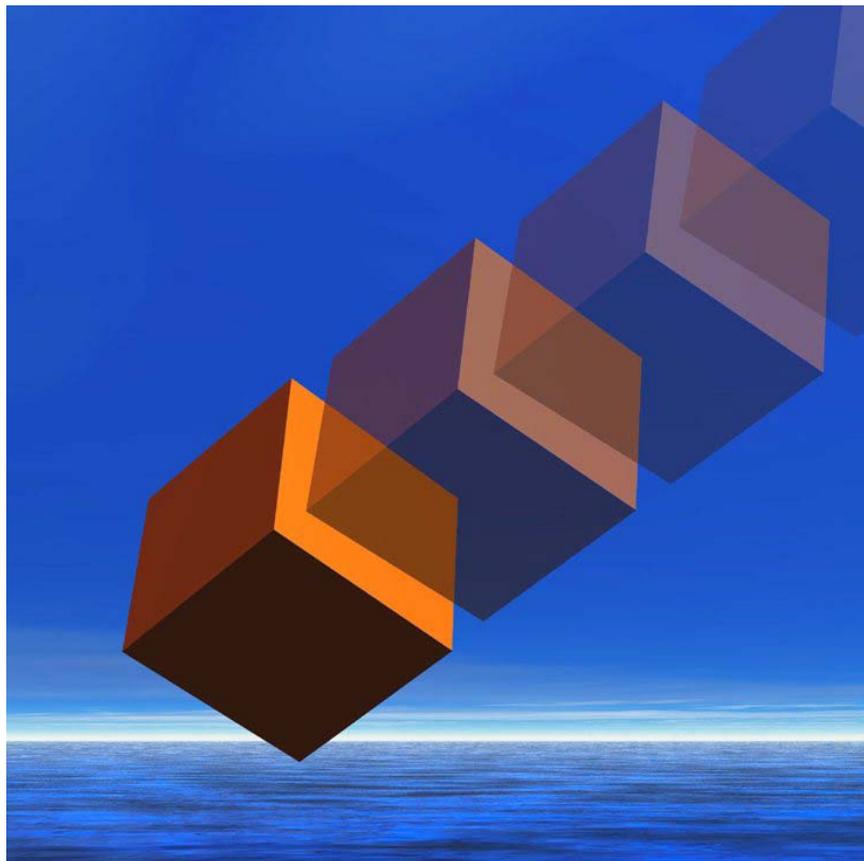
Federal Housing Finance Board

OFFICE OF INSPECTOR GENERAL

STRATEGIC PLAN

FOR THE PERIOD

APRIL 1, 2004 – MARCH 31, 2009



FOREWORD

The Office of Inspector General (OIG) at the Federal Housing Finance Board (Finance Board) is committed to the accomplishment of the agency's mission and the protection of the agency's assets. OIG's commitment is accomplished through: 1) practices designed to independently assess activities at the Finance Board; 2) support of the agency management's strategic plan; and 3) close coordination with agency management to prevent, detect, and correct any problems that could impede the agency's mission or result in fraud, waste, or abuse. The following five year strategic plan presents OIG's goals and objectives established to accomplish our mission and the measures we use to assess our performance.

OIG is committed to at least annually reassessing its planned activities, policies, and practices to ensure their effectiveness. Consequently, elements of the Office of Inspector General Strategic Plan for April 1, 2004 to March 31, 2009 may change as circumstances change. Persons relying on the plan should contact OIG for any changes to the plan. In addition, OIG welcomes any comments on the strategic plan.



Edward Kelley
Inspector General

**THE OFFICE OF INSPECTOR GENERAL
STRATEGIC PLAN
For
April 1, 2004 to March 31, 2009**

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**OFFICE OF INSPECTOR GENERAL
STRATEGIC PLAN
For**

April 1, 2004 – March 31, 2009

OIG'S MISSION



The Office of Inspector General's (OIG) mission is to support the agency's efforts to implement its strategic plan through economy, efficiency, and integrity in agency operations. This document describes OIG's plan for discharging its ongoing statutory responsibilities under the Inspector General Act of 1978, as amended (IG Act), and for meeting its operational objectives for the period from April 1, 2004 to March 31, 2009. OIG recognizes that the Finance Board's (Finance Board) priorities and plans do change periodically. Consequently, this Strategic Plan is updated each year to incorporate the Finance Board's most current strategic plan. At the issuance of OIG's Strategic Plan for the Period April 1, 2004 – March 31, 2009, the Finance Board's strategic plan had been approved by the Board of Directors and was considered in the development of OIG's strategic plan.

AUTHORITY AND JURISDICTION OF THE OIG

The OIG was established in October 1989, concurrent with the creation of the Finance Board, by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). FIRREA specifically provides for the establishment of OIG at the Finance Board. In addition, OIG receives guidance on conducting audit and investigative work from the Office of Management and Budget (OMB), the President's Council on Integrity and Efficiency (PCIE), and the Executive Council on Integrity and Efficiency (ECIE).

The authority of the Finance Board's Inspector General is derived from the IG Act and FIRREA. The Inspector General's authority to conduct audits and investigations is limited to Finance Board programs and activities. He/she is not the Inspector General for the Federal Home Loan Bank (FHLBank) System. However, when audits or investigations involving Finance Board programs and/or activities also involve the FHLBanks or other entities, it may be necessary for the Inspector General to conduct audit or investigative work at these entities.

The IG Act sets out certain major duties and responsibilities of the Inspector General that are intended to facilitate the economic, efficient, and effective conduct of Finance Board activities. The Act also provides the Inspector General with tools to prevent and detect fraud and abuse in these activities. Specifically the IG is mandated to:

- provide policy direction for the conduct, supervision, and coordination of both audits and investigations relating to the programs and operations of the Finance Board;
- provide leadership and coordination and recommend policies and procedures to promote agency economy, efficiency, and effectiveness in its operations;
- review existing and proposed legislation and regulations;



- recommend policies for coordination between the Finance Board and other federal, state, and local government agencies and non-government entities;
- keep the Chairman, the Board, agency managers, and the Congress fully and currently informed of significant developments under the jurisdiction of the IG. Recommend to these officials corrective actions and report on the progress made in implementing corrective actions; and
- submit semiannual reports to the Congress, through the Chairman, summarizing the activities of the OIG during the preceding period.

The IG Act authorizes the Inspector General to: (1) access all records, reports, audits, reviews, documents, papers, recommendations, or other material available to the Finance Board which relate to programs and operations of the agency; (2) conduct such investigations and issue reports as are, in the judgment of the Inspector General, necessary or desirable; (3) request information or assistance from any federal, state, or local government agency or unit, as may be necessary for carrying out his duties and responsibilities of the IG Act; (4) issue subpoenas; (5) administer and take oaths, affirmations or affidavits from any person, when necessary; (6) select, appoint and employ such officers and employees as may be necessary for carrying out the functions, powers, and duties of the OIG; (7) obtain temporary expert and consultant services; (8) have direct and prompt access to the Chairman, when necessary; (9) contract for audits, studies, analyses and other services within the limits of the established budget; and (10) receive in confidence and investigate complaints or information from Finance Board employees and other sources concerning possible violations of law, rules, or regulations, or mismanagement, gross waste of funds, or abuse of authority or a substantial and specific danger to the public health and safety by Finance Board officials.

In order to effectively use its resources and properly exercise its authorities in support of the agency's mission and OIG's responsibilities, OIG has established four goals. For each of these goals, OIG has also developed objectives, strategies and performance measures. The four goals are:

- Facilitate the Finance Board's mission and strategic goals by identifying, planning, and conducting audits designed to prevent and detect fraud, waste and abuse in Finance Board Programs,
- Conduct investigations to facilitate the proper disposition of allegations of possible criminal violations and possible administrative abuses involving Finance Board Employees and/or Programs,
- Facilitate the Finance Board's development of effective operations, policies, and procedures that address all agency responsibilities prescribed in applicable laws, regulations, and executive orders, and
- Educate Finance Board staff, the Congress, and others on the various duties and responsibilities of FHFB-OIG and FHFB-OIG operations while developing and maintaining positive working relationships.

GOAL I

Facilitate the Finance Board's mission and strategic goals by identifying, planning, and conducting audits designed to prevent and detect fraud, waste and abuse in Finance Board programs

OBJECTIVE A

Conduct audits that support the agency's goal to have the Finance Board's program of FHLBank supervision foster safe and sound operations at each of the Federal Home Loan Banks.



Strategy

1. Obtain and review the Finance Board's current strategic plan and current year's performance plan developed in accordance with the Government Performance and Results Act (GPRA) to determine the results the agency wants to achieve in the supervision of FHLBanks;
2. Obtain and review the Finance Board's prior year performance report to determine the results achieved to date in supervising the FHLBanks;
3. Conduct interviews with all Board Members and office directors to obtain their input on the results the agency should be trying to achieve in the FHLBank supervision program;
4. Review existing and proposed laws and regulations affecting the Finance Board to identify any audits required by these statutes and regulations that address the FHLBanks' supervision;
5. Review existing and proposed laws and regulations affecting the OIG to identify any audits required by these statutes and regulations that address the FHLBanks' supervision;
6. Maintain an OIG "HOTLINE" for the receipt of suggestions, information on possible violations of law and regulations in the FHLBanks' supervision program;
7. Review the results of the Office of Supervision's annual vulnerability assessment as it relates to FHLBank supervision;
8. Identify audit areas during the conduct of surveys, audits, and investigations that relate to FHLBank supervision;

9. Develop a list of potential audits involving FHLBank supervision based on the Finance Board's goals and objectives listed in the agency's strategic plan. (See Exhibit 1 for Audit Universe);
10. Select FHLBank supervision related audits to be performed over the next five years (See Exhibit 2 – Five Year Audit Plan);
11. Identify audits related to FHLBank supervision to be included in OIG's annual audit plan (See Exhibit 3) based on OIG's prioritization of audits;
12. Liaison with the Congress and the Executive Council on Integrity and Efficiency in order to identify audits requested by the Congress that relate to FHLBank supervision; and
13. The Inspector General shall continue to meet monthly with the Chairman to discuss FHLBank supervision vulnerabilities and desired program results.

Performance Measures

1. Audits are completed for areas that are the subject of concern by FHFB management, the Congress, OMB or other outside stakeholders identified in the Finance Board's strategic plan.
2. Audits are completed for areas related to FHLBank supervision, that OIG determined to be highly vulnerable to fraud, waste, and/or abuse.
3. Audits result in positive changes to FHLBank supervision or FHFB operations.

Key Factors

1. A Finance Board approved strategic plan that clarifies the agency's goals and objectives related to FHLBank supervision.
2. Finance Board management willingness to maintain a positive working relationship with OIG.
3. Approval of the Inspector General's annual budget request.



GOAL I

Facilitate the Finance Board's mission and strategic goals by identifying, planning, and conducting audits designed to prevent and detect fraud, waste and abuse in Finance Board programs

OBJECTIVE B

Conduct audits that support the Finance Board's goal to ensure that the Federal Home Loan Banks serve the nation's housing finance and community investment needs.



Strategy

1. Obtain and review the Finance Board's current strategic plan and current year's performance plan developed in accordance with the Government Performance and Results Act (GPRA) to determine the results the agency wants the FHLBanks to achieve in housing finance and community investment needs;
2. Obtain and review the Finance Board's prior year performance report to determine the results achieved to date by the FHLBanks in housing finance and community investment;
3. Conduct interviews with all Board Members and office directors to obtain their input on the results the FHLBanks should be trying to achieve in housing finance and community investment;
4. Review existing and proposed laws and regulations affecting the Finance Board to identify any audits required by these statutes and regulations that address housing finance goals and community investment goals;
5. Review existing and proposed laws and regulations affecting the OIG to identify any audits required by these statutes and regulations that address the FHLBanks housing finance and community investment activities;
6. Maintain an OIG "HOTLINE" for the receipt of suggestions, information on possible violations of law and regulations in the FHLBanks' housing finance and community investment program;
7. Review the results of the Office of Supervision's annual vulnerability assessment as it relates to FHLBanks' housing finance and community investment activities;
8. Identify audit areas during the conduct of surveys, audits, and investigations that relate to FHLBanks housing finance and community investment activities;

9. Develop a list of all potential audits of involving FHLBank housing finance and community investment activities based on the Finance Board's goals and objectives listed in the agency's strategic plan. (See Exhibit 1 for Audit Universe);
10. Select FHLBank housing finance and community investment related audits to be performed over the next five years (See Exhibit 2 – Five Year Audit Plan); and
11. Identify audits related to FHLBank housing finance and community investment to be included in OIG's annual audit plan (Exhibit 3) based on OIG's prioritization of audits.

Performance Measures

1. Audits are completed for areas that are the subject of concern by FHFB management, the Congress, OMB or other outside stakeholders identified in the Finance Board's strategic plan.
2. Audits are completed for areas related to FHLBank housing finance and community investment activities that OIG determined to be highly vulnerable to fraud, waste, and/or abuse.
3. Audits result in positive changes to FHLBank supervision or FHFB operations.

Key Factors

1. A Finance Board approved strategic plan that clarifies the agency's goals and objectives related to the FHLBanks serving the nation's housing finance and community investment needs.
2. Finance Board management willingness to maintain a positive working relationship with OIG.
3. Approval of the Inspector General's annual budget request.



GOAL I

Facilitate the Finance Board's mission and strategic goals by identifying, planning, and conducting audits designed to prevent and detect fraud, waste and abuse in Finance Board programs

OBJECTIVE C

Conduct audits that support the Finance Board's goal to ensure its supervisory, managerial, and legal resources support effective, efficient, and responsive FHLBank supervision, regulation, and housing mission oversight.



Strategy

1. Obtain and review the Finance Board's current strategic plan and current year's performance plan developed in accordance with the Government Performance and Results Act (GPRA) to determine the results the agency wants each Finance Board office to achieve;
2. Obtain and review the Finance Board's prior year performance report to determine the results achieved to date by each Finance Board office;
3. Conduct interviews with all Finance Board Members and office directors to obtain their input on the results each Finance Board office should be trying to achieve;
4. Review existing and proposed laws and regulations affecting the Finance Board to identify any audits required by these statutes and regulations of Finance Board operations;
5. Review existing and proposed laws and regulations affecting the OIG to identify any audits required by these statutes and regulations that address Finance Board operations;
6. Maintain an OIG "HOTLINE" for the receipt of suggestions, information on possible violations of law and regulations, and information on possible fraud waste, or abuse in the Finance Board offices' operations;
7. Review the results of the Finance Board's annual vulnerability assessment as it relates to the Finance Board's supervisory, managerial, and legal resources supporting effective, efficient, and responsive FHLBank regulation and oversight;
8. Identify audit areas during the conduct of surveys, audits, and investigations that relate to Finance Board offices' operations;
9. Develop a list of potential audits involving Finance Board operations based on the Finance Board's goals and objectives listed in the agency's strategic plan. (See Exhibit 1 for Audit Universe);

10. Develop an OIG five year plan for audits that indicates which audits relate to the agency's strategic plan (Exhibit 2);
11. Identify audits related to Finance Board operations to be included in OIG's annual audit plan (Exhibit 3) based on OIG's prioritization of audits included in the audit Universe developed by OIG (Exhibit 1);
12. Liaison with the Congress, the Executive Council on Integrity and Efficiency(ECIE), and the President's Council on Integrity and Efficiency (PCIE) to identify audits requested by the Congress that relate to Finance Board operations; and
13. The Inspector General shall continue to meet monthly with the Chairman to discuss Finance Board offices' vulnerabilities and desired program results.

Performance Measures

1. Audits are completed for areas that are the subject of concern by FHFB management, the Congress, OMB or other outside stakeholders identified in the Finance Board's strategic plan.
2. Audits are completed for areas related to the operations of Finance Board offices that OIG determined to be highly vulnerable to fraud, waste, and/or abuse.
3. Audits result in positive changes to FHFB operations.

Key Factors

1. A Finance Board approved strategic plan that clarifies the agency's goals and objectives related to each Finance Board office.
2. Finance Board management willingness to maintain a positive working relationship with OIG.
3. Approval of the Inspector General's annual budget request.



GOAL II

Conduct investigations to facilitate the proper disposition of allegations of possible criminal violations and possible administrative abuses involving Finance Board employees and/or programs

OBJECTIVE A

Ensure the timely and proper referral of possible criminal violations to the Department of Justice.



Strategy

1. To the extent practicable, conduct investigations using OIG staff. If our actual workload exceeds our projected workload during any particular year, the OIG will continue arranging for assistance from other Offices of Inspectors General to augment our investigative resources on a reimbursable or non-reimbursable basis;
2. Coordinate with management to ensure OIG is immediately notified of possible criminal violations;
3. Immediately notify the Department of Justice of all possible criminal violations involving the Finance Board for DOJ's decision on whether to initiate a criminal investigation. Closely coordinate with DOJ on any resulting investigations to ensure a quality investigation;
4. Based on information gathered during investigations, identify any audits needed to address control weaknesses contributing to the criminal act(s);
5. Maintain a HOTLINE operation to ensure that those who may want to anonymously report wrongdoing in the Finance Board's programs and operations can do so. The local and toll-free HOTLINE numbers are published in the Finance Board's telephone directory;
6. Attend various investigation forums to remain current on new criminal schemes and investigative techniques;
7. Request and facilitate a peer review of OIG's investigation function every three years;
8. Provide on-going investigation related training to OIG staff;
9. Coordinate with the IGs' Council of Counsels on legal issues impacting investigative activities by the Inspectors General; and
10. Conduct criminal investigations in accordance with Quality Standards for Investigations issued by the PCIE/ECIE.

Performance Measures

1. OIG identifies matters that represent possible criminal violations involving Finance Board operations;
2. Investigation reports require little if any additional investigative work after they are referred to the Department of Justice.
3. OIG referred cases are not dismissed due to investigative errors.
4. Information developed during the course of investigations is released only with DOJ and the Inspector General's approval.
5. Peer reviews of OIG's investigative function indicate the operation is performed in a quality manner.

Key Factors

1. Finance Board management makes timely referrals of potential criminal investigative matters to OIG.
2. OIG has the flexibility to augment its budget to obtain investigative resources as needed.
3. OIG offices and equipment are configured to allow for the confidential handling of investigative matters.



GOAL II

Conduct investigations to facilitate the proper disposition of allegations of possible criminal violations and possible administrative abuses involving Finance Board employees and/or programs

OBJECTIVE B

Facilitate Finance Board management's administrative adjudication of matters involving possible administrative abuses by Finance Board employees or in the operation of Finance Board programs.



Strategy

1. Review all allegations to identify possible administrative improprieties and immediately advise management;
2. Coordinate with management to ensure OIG is immediately notified of possible administrative violations;
3. Based on information gathered during investigations, identify any audits needed to address control weaknesses contributing to the administrative impropriety;
4. Maintain a HOTLINE operation to ensure that those who may want to anonymously report wrongdoing in the Finance Board's programs and operations can do so. The local and toll-free HOTLINE numbers are published in the Finance Board's telephone directory;
5. Attend various investigation forums to remain current on new administrative schemes and investigative techniques;
6. Coordinate with the IGs' Council of Counsels on legal issues impacting investigative activities by the Inspectors General;
7. Conduct administrative investigations in accordance with Quality Standards for Investigations issued by the PCIE/ECIE;
8. Request a peer review of OIG's investigative function every three years; and
9. Provide training to all OIG staff on investigative techniques.

Performance Measures

1. Administrative investigations are conducted in a manner that does not jeopardize the successful investigation and adjudication of criminal matters.
2. Administrative investigations are conducted in a manner that facilitates appropriate administrative actions.
3. Peer reviews of OIG's investigative function conclude that the operation is performed in a quality manner.
4. Information developed during the course of investigations is released only with the Inspector General's approval.

Key Factors

1. Finance Board management makes timely referrals of potential administrative investigative matters to OIG.
2. OIG has the flexibility to augment its budget to obtain investigative resources as needed.
3. OIG offices and equipment are configured to allow for the confidential handling of investigative matters.



GOAL III

Facilitate the Finance Board's development of effective operations, policies, and procedures that address all agency responsibilities prescribed in applicable laws, regulations, and executive orders

OBJECTIVE A

Identify and review laws and regulations that impact Finance Board programs and operations for the purpose of assuring all agency responsibilities are met and that such laws and regulations do not contribute to waste and abuse in Finance Board operations.



Strategy

1. Coordinate with Finance Board management to keep informed of proposed laws and regulations impacting the Finance Board;
2. Review various data bases for laws and regulations that impact the Finance Board;
3. Provide feedback to Finance Board management where OIG reviews identify matters that could result in waste, fraud, or abuse;
4. The Inspector General will continue to meet monthly with the Chairman to address agency compliance with applicable laws and regulations;
5. OIG staff will continue to attend Board meetings, as appropriate, to keep abreast of laws and regulations impacting the Finance Board; and
6. The Inspector General will continue to meet monthly with the Inspectors General from all financial regulatory agencies.

Performance Measures

1. OIG is familiar with all proposed legislation, regulations, policies and procedures that impact the Finance Board.
2. OIG's reviews of policies and procedures result in the accurate identification of material control weaknesses, management inefficiencies, and/or violations of laws and regulations.
3. Finance Board management or other stakeholders agree with the facts resulting from OIG's reviews.

Key Factors



1. Management provides OIG with copies of all proposed laws and regulations affecting the Finance Board;
2. OIG has adequate legal resources to perform required reviews; and
3. Management is receptive to OIG observations and possible recommendations.

GOAL III

Facilitate the Finance Board's development of effective operations, policies, and procedures that address all agency responsibilities prescribed in applicable laws, regulations, and executive orders

OBJECTIVE B

Review existing and proposed Finance Board policies and procedures to assess their compliance with laws and regulations, their economy and efficiency and their susceptibility to fraud, waste, abuse.



Strategy

1. Review all internal policies and procedures issued by the Finance Board;
2. Coordinate with Finance Board management to obtain all proposed Finance Board rules, regulations, policies, and procedures;
3. Provide written comments to Finance Board management on new or proposed policies and procedures that pose unacceptable risk of inefficient, uneconomical operations or the potential for fraud, waste, and abuse;
4. The Inspector General will continue to meet monthly with the Chairman to address matters related to agency policies and procedures; and
5. OIG staff will continue to serve on Finance Board committees and task forces, as appropriate, to provide guidance on proper internal controls.

Performance Measures

1. OIG is familiar with all proposed Finance Board policies and procedures.
2. OIG's reviews of policies and procedures result in the accurate identification of material control weaknesses and/or management inefficiencies.
3. Finance Board management or other stakeholders agree with the facts resulting from OIG's reviews.

Key Factors



1. Management provides OIG with copies of all proposed Finance Board policies, and procedures;
2. OIG has adequate legal resources to perform required reviews; and
3. Management is receptive to OIG observations and possible recommendations.

GOAL IV

Educate Finance Board staff, the Congress, and others on the various duties and responsibilities of FHFB-OIG and FHFB-OIG operations while developing and maintaining positive working relationships

OBJECTIVE A

Educate Finance Board staff at all levels, the Congress, and others on the various duties and responsibilities of FHFB-OIG.



Strategy

1. OIG will participate in new employee orientation sessions for the purpose of clarifying OIG's role and alerting employees to issues identified by OIG;
2. OIG will establish a website to familiarize employees with OIG duties and responsibilities;
3. OIG will develop and distribute pamphlets and flyers on OIG's responsibilities and employee rights when interacting with OIG;
4. OIG will sponsor agency forums to improve agency interaction;
5. The Inspector General will meet regularly with the Chairman to brief him on OIG activities;
6. The Inspector General will meet with members of the Board, as the Inspector General deems appropriate, to brief them on OIG activities;
7. OIG will issue a semiannual report to the Congress on its audit and investigative activities at the Finance Board; and
8. The Inspector General will meet at least annually with Senate and House banking oversight committees' staff.

Performance Measures

1. Finance Board staff are more familiar with OIG duties and responsibilities.
2. The number of employees identifying potential fraud, waste or abuse instances to OIG increases.
3. Contacts with the Congress and Finance Board staff indicate they understand FHFB-OIG operations.

Key Factors

1. Having information technology support for OIG's website;
2. Management support of OIG outreach efforts; and
3. The availability of the Finance Board Chairman and members of the Congress.



GOAL IV

*Educate Finance Board staff, the Congress, and others on the various duties and responsibilities of
OIG and the daily operations of OIG*

OBJECTIVE B

Develop and maintain positive working relationships with Finance Board management, the Congress, OMB, and Finance Board staff.



Strategy

1. Establish a website to familiarize employees and non-employees with OIG duties and responsibilities;
2. Issue a semiannual report to the Congress, OMB, and Finance Board management on its audit and investigative activities at the Finance Board;
3. Issue FHFB-OIG's five year strategic plan and annual audit plan;
4. Sponsor OIG activities and invite agency management and staff;
5. Support the development of an agency policy on coordinating with FHFB-OIG; and
6. OIG will maintain liaison with the Congress and OMB, as appropriate.

Performance Measures

1. The number of inquiries made directly of OIG will increase.
2. More requests for OIG participation in agency projects.

Key Factors

1. Finance Board management support of the IG function in general; and
2. The availability of the Finance Board management and congressional staff.



EXHIBIT 1

OIG'S AUDIT UNIVERSE AS OF APRIL 1, 2004

Proposed Audits	Last Audited	Objective(s) of Audits	Priority Scoring	Type Function
1 Audit of FHFB's Financial Statements (contract)	4/03	We have contracted with a certified public accounting firm to audit the Finance Board's Financial Statements annually. The audit will encompass a review of financial transactions, accounts, and reports, including an evaluation of compliance with significant financial laws, regulations, and policies of the Finance Board, and an evaluation of internal accounting control.	140	A
2 Audit of the Finance Board's compliance with the Federal Information Security Management Act (FISMA) (contract)	10/03	We will review the IT office's security measures for the agency to assess the agency's vulnerability to information loss or theft.	130	A
3 Survey of Office of Supervision	5/92	We will conduct a survey to identify the responsibilities of the office and assess the internal controls in place to ensure that these responsibilities are met.	120	P
4 Audit of the Effectiveness of Examiner Recruitment, Selection, and retention		We will review this area to determine whether adequate steps have been taken to recruit qualified and diverse candidates for examiner positions; whether the selection process was adequately competitive; and what efforts are made to retain quality examiners.	115	P
5 Review of Finance Board's Performance Report on progress toward accomplishing the agency's Strategic Plan performance measures		We will annually review the Finance Board's performance report to assess how well the agency did in meeting its various performance goals.	115	P
6 Audit of the Thoroughness of Examinations in identifying safety and soundness issues	9/98 (GAO)	We will conduct an operational audit to determine how the scope of examinations is determined and whether the method of scoping examinations has resulted in the early identification and resolution of safety and soundness issues.	115	P
7 Audit of the Effectiveness of FHFB's Records Management Function (contract)		We will conduct an audit of the effectiveness of policies and procedures for managing Finance Board records.	115	A
8 Audit of the Effectiveness of examinations in assessing Dealers' compliance with underwriting agreement		We will review the examination procedures for determining whether dealers sell consolidated obligations in accordance with the master underwriting agreement.	110	P
9 Survey of OGC	11/92	We will review the various regulations, policies, and procedures which outline the various responsibilities of OGC and will review OGC operations to determine whether adequate controls exist to meet their various responsibilities.	110	P
10 Survey of the Information Technology Program (Contract)	5/96	We will conduct a survey of the operations and internal controls within the Information Technology Division. Based on the results of the review, we will determine whether any areas will be scheduled to receive more detailed audit coverage	110	P
11 Audit of Effectiveness of IT Function in Meeting Needs of Finance Board Offices (contract)		We will assess the effectiveness of the IT function in responding to the needs of various Finance Board offices to identify any areas which need improvement.	110	A
12 Audit of the Finance Board's Compensation policies and procedures (contract)		We will conduct a compliance audit to assess compliance of agency compensation policies and procedures with applicable OPM regulations.	110	A

Type Function
A = Administrative Audit
P = Program Audit

OIG'S AUDIT UNIVERSE AS OF APRIL 1, 2004

Proposed Audits	Last Audited	Objective(s) of Audits	Priority Scoring	Type Function
13 Audit of FHFB's Process for establishing and monitoring compliance with Risk Based Capital Regulations (contractor)		We will review the Finance Board's process for ensuring the FHLBanks have adequate risk based capital policies and the controls that will be in place to ensure the FHLBanks' implementation.	105	P
14 Audit of FHFB's process for monitoring the Office of Finance's Debt Issuances		We will review the Finance Board's policies and regulations related to the FHLBanks' debt issuances and assess the controls in place to assure Office of Finance and FHLBanks compliance.	105	P
15 Audit of Adequacy of Physical Security over Agency Assets (contract)	4/01	We will conduct an audit of the effectiveness of agency policies and procedures for safeguarding agency assets.	105	P
16 Audit of the Effectiveness of examinations in assessing Community Investment Programs' implementation	6/93	We will review the CIP program to determine its goals and objectives and to assess the effectiveness of examinations in determining FHLBanks' success in meeting established goals and objectives.	100	P
17 Audit of the Adequacy of FHFB's AHP Regulations	6/93 (GAO)	We will review the various regulations, policies, and procedures which outline the various goals for AHP and obtain feedback on whether program goals are being met.	100	P
18 FHFB's use of Contract Legal Services	2/93	We will review the Finance Board's use of contract legal services to assess the controls over the quality of products received and the accuracy of bills and payments.	100	P
19 Audit of the Effectiveness of the Examiner Training Program		We will review the policies and procedures related to the examiner training program; compare the training plan with other examiner training programs; and assess the extent to which examiners have received planned training.	100	P
20 Audit of the effectiveness of examinations in assessing FHLBanks' AMA products comply with FHFB regulations.		We will review completed examinations to determine the level of work directed at assessing the propriety of FHLBanks' AMA products	100	P
21 Performance Audit - FHFB's Contracting for Services	11/03	We will review the Finance Board's policies and procedures for contracting, assess whether our procedures deviate from federal regulations and why, and review controls over the cost of service contracts.	100	A
22 Audit of Budgeting for IT Equipment and Software (contract)	7/96	We will conduct an economy and efficiency audit of the budgeting process for IT equipment. We will review the process for identifying the IT needs of the Finance Board and controls over how the agency plans to satisfy its IT needs.	100	A
23 Follow-up on Prior Audits		We will follow-up with Finance Board managers to determine the extent to which corrective actions on audit recommendations have been taken.	100	A
24 Audit of the Disposition of IT Equipment (contract)	5/97	We will conduct an audit of the economy and efficiency with which the Finance Board disposes of IT equipment and the agency's adherence to applicable laws and regulations.	100	A
25 Audit of the facilities management function		We will conduct an audit of the facilities management function to determine whether adequate procedures exist to ensure the proper management of agency facilities and equipment.	100	A

Type Function
A = Administrative Audit
P = Program Audit

OIG'S AUDIT UNIVERSE AS OF APRIL 1, 2004

Proposed Audits	Last Audited	Objective(s) of Audits	Priority Scoring	Type Function	
26		Audit of the adequacy of the design of the AHP database to effectively meet end user needs	We will assess end users satisfaction with the AHP database in order to identify possible needed enhancements.	100	P
27	9/98 (GAO)	Audit of the Adequacy of Enforcement Tools to ensure Responsiveness to Examination Findings and Recommendations	We will review the adequacy of Finance Board policies and procedures governing the agency's use of enforcement tools to ensure the implementation of Finance Board recommendations or directives. We will review various matters resulting from examination findings and other sources, to determine whether enforcement tools were used when appropriate.	95	P
28		Audit of Examination Criteria for Assessing Mission Achievement by the FHLBanks and the effectiveness of examination in ensuring that criteria is met by the FHLBanks.	We will review the Finance Board's criteria for assessing mission achievement by the FHLBanks and review what examination criteria is used to assess mission achievement.	95	P
29		Compliance Audit of the Finance Board's Ethics Program	We will review the adequacy of the policies and procedures related to the Ethics Program and assess the agency's compliance.	95	P
30		Survey of Human Resources Function (Emphasis on Merit Pay and Hiring)	We will conduct a survey of the operations and internal controls within the Human Resource Division, with an emphasis on implementation of the merit pay system. Based on the results of the review, we will determine whether any areas will be scheduled to receive more detailed audit coverage.	95	A
31		Audit of Finance Board's promotion and retention process	We will assess the effectiveness of the Finance Board's program to promote and retain staff.	95	A
32	11/95	Audit of Effectiveness of Processing Issues thru the Finance Board (contract)	We will conduct an audit to assess the effectiveness of agency controls for ensuring the timely and consistent sharing of issues requiring Board members input.	95	P
33		Audit of the integrity of the AHP data	We will assess the examination procedures used to ensure the integrity of AHP data provided by the FHLBanks.	90	P
34	6/00	Compliance Audit - Out of Town Travel Expenses (contract)	We will conduct an audit of policies, procedures, and practices related to out of town travel activities. Our objectives are: (a) to determine whether adequate controls exist to prevent and/or identify improper payments for airline tickets, invitational travel, and relocation travel; and (b) to assess the controls over employee travel funded by non-federal sources, combined personal and business travel, and the use of blanket travel authorizations.	90	A
35	3/99	Economy/Efficiency and Security Audit FHFB's Mailing/Shipping Costs (contract)	We will conduct an economy and efficiency audit of Finance Board expenditures for mailing and shipping. We will determine whether costs for these services are reasonable and whether existing policies and procedures adequately protect the agency against waste, fraud, and abusive use.	90	A
36	6/93	Audit of the Effectiveness of FHFB's Oversight of FHLBank Directors' Elections and Appointments	We will review the controls in place to ensure that Director elections are performed in accordance with Finance Board regulations and that Directors are appointed in accordance with FIRREA.	85	P
37	4/03	Audit of FHFB's Payroll (contract)	We will conduct a compliance audit of the controls over payroll transactions to ensure compliance with applicable standards and federal directives.	85	A
38	12/03	Limited Review of the FHFB's implementation of OMB Circular A-123	To comply with requirements of OMB Circular A-123, the Finance Board is required to annually assess and report on the overall adequacy and effectiveness of management controls within the agency. We will conduct a limited review of the process used to assess the agency's internal control system.	85	A

Type Function
A = Administrative Audit
P = Program Audit

OIG'S AUDIT UNIVERSE AS OF APRIL 1, 2004

Proposed Audits	Last Audited	Objective(s) of Audits	Priority Scoring	Type Function
39 Audit of the security of the AHP database		We will conduct an audit to assess the adequacy of security measures for the AHP system and database.	80	P
40 Audit of the Effectiveness of FHFB's Monitoring of Pilot Programs		We will review the Finance Board's policies and procedures for monitoring FHLBank pilot projects. We will determine whether the Finance Board has adequate controls in place to assure the monitoring occurs and the results of the monitoring are used to take appropriate actions.	80	P
41 Audit of the Timeliness of Examinations	4/95	We will assess the examination activities' compliance with the law and the ability of the examination office to respond to unscheduled matters resulting from monitoring, etc.	80	P
42 Survey of FHFB's Procedures For Dissemination of Information and Soliciting Input From External Sources		We will review the Finance Board's policies and procedures for obtaining comments on proposed rules and regulations and the policies and procedures for dissemination new Finance Board rules and regulations to entities affected to ensure adequate Finance Board feedback.	80	P
43 Audit of the Adequacy of Community Support Program Regulations and Program Results	6/93	We will review the regulations related to the Community Support Program and assess Finance Board controls for ensuring the program's success.	80	P
44 Audit of Effectiveness of Process for Performing Personnel Security Clearances (contract)		We will review the Finance Board's policies and procedures for performing personnel security clearances and assess the agency's compliance.	80	A
45 Audit of Finance Board Implementation of a Telecommuting Program (contract)		We will conduct an audit to determine whether the Finance Boards telecommuting policies and procedures comply with applicable OPM regulations and to identify possible telecommuting opportunities at the Finance Board.	80	A
46 Audit of FHFB's Cash Receipts (contract)	9/97	We will conduct an economy and efficiency audit to assess controls over processing cash received by the Finance Board.	80	A
47 Audit of the Process for Developing FHFB's Strategic Plan		We will conduct a compliance review of the process used to develop agency performance measures. The scope will include assessing whether current performance measures appear adequate to determine progress towards meeting the objectives of the Finance Board's strategic plan.	75	P
48 Audit of FHFB's Effectiveness in Identifying and Tracking FHFB's related Legislative Issues		We will review Finance Board policies and procedures designed to identify and track legislative issues impacting the Finance Board to ensure that the Finance Board is properly advised.	75	P
49 Audit of the Finance Board's Training Program		We will conduct an audit to review the effectiveness of FHFB's identifying, planning, and funding staff training needs..	75	A
50 Audit of FHFB's Maintenance and Disposition of non-IT FF&E (contract)	6/94	We will conduct an audit of the economy and efficiency with which the Finance Board is managing the maintenance and disposition of its FF&E.	75	A
51 Audit of FHFB's Accounts Payable (contract)	4/03	We will conduct a compliance audit of the controls over transactions in accounts payable accounts are made in accordance with applicable standards and federal directives.	75	A
52 Audit of FHFB's Cash Management and Budget Process (contract)		We will conduct an economy and efficiency audit of cash management and budget policies. We will determine whether controls exist to ensure that the cash needs of the agency are effectively planned and cash received by the agency is properly budgeted and managed.	70	A

Type Function
A = Administrative Audit
P = Program Audit

OIG'S AUDIT UNIVERSE AS OF APRIL 1, 2004

	Proposed Audits	Last Audited	Objective(s) of Audits	Priority Scoring	Type Function
53	Compliance Audit - FHFB Lease Agreement with Bldg. Mgmt. (contract)		We will conduct a compliance audit of controls over costs associated with the building lease. We will determine whether rental expenditures are cost effective and have been made in accordance with the terms of the lease and applicable federal regulations.	70	A
54	Survey of FHFB's EEO Function (contract)		We will conduct a survey of the EEO program. Based on the results, we will determine whether any areas will be scheduled to receive more detailed audit coverage.	65	P
55	Audit of Effectiveness of Handling Confidential Documents in FHFB		We will conduct an audit of the effectiveness of agency policies and procedures for ensuring that the confidentiality of documents is maintained by the Finance Board.	65	P
56	Audit of the Controls Over FHFB's Centrally Billed Procurement Credit Card Accounts (contract)		We will conduct an audit to determine whether purchases charged to centrally billed credit cards comply with applicable procurement regulations and internal policies and procedures.	60	A
57	Audit of the Finance Board's Personnel Records Management Function (contract)		We will review controls over the handling of personnel records to assess compliance with applicable regulations and internal policies and procedures.	60	A
58	Audit of the Controls Over FHFB's Centrally Billed Travel Credit Card Account (contract)	3/95	We will conduct an economy and efficiency audit to determine whether charges to the Finance Board's centrally billed travel credit card account are properly supported.	60	A
59	Audit of Budgeting for non-IT Equipment		We will conduct an economy and efficiency audit of the budgeting process for non-IT equipment. We will review the process for identifying equipment needs of the Finance Board and controls over how the agency plans to satisfy its non-IT equipment needs.	60	A
60	Performance Audit - Parking Program	4/98	We will conduct a performance audit to determine whether adequate controls exist to effectively manage the parking program.	60	A
61	Audit of the Effectiveness of Examiner Coordination with Other Financial Regulatory Agencies		We will identify areas of needed coordination between the Finance Board and other financial regulatory agencies; the policies and procedures in place to facilitate such coordination, and we will assess the extent to which such coordination occurs.	55	P
62	Compliance Audit - Use of Individually Assigned Government Credit Cards (contract)	5/02	We will conduct a compliance audit to determine whether Finance Board credit cards issued to individual staff members are used in accordance with applicable policies and procedures.	50	A
63	Audit of the Expenditures from Receptions & Representation Fund (contract)	6/02	We will review the transactions in the Reception and Representation Account to assess compliance with applicable laws and accuracy of charges.	50	A
64	Compliance Audit - FHFB's Lease Agreement with Tenants (contract)		We will conduct a compliance audit of controls over income due from the Finance Board's tenants. We will determine whether procedures for assessing, collecting and processing tenant rental payments are adequate and comply with terms of the contract and applicable federal regulations.	50	A
65	Audit of FHFB's Accounts Receivable (contract)	2/01	We will conduct a compliance audit of the controls over transactions in the accounts receivable accounts to ensure compliance with applicable standards and federal directives.	50	A

Type Function
A = Administrative Audit
P = Program Audit

OIG'S AUDIT UNIVERSE AS OF APRIL 1, 2004

	Proposed Audits	Last Audited	Objective(s) of Audits	Priority Scoring	Type Function
66	Audit of Supervision's Oversight of FHLBank Internal Audit Function	5/92	We will review the Finance Board policies related to the FHLBanks internal audit function and assess the Finance Board's use of these offices to achieve its regulatory responsibilities.	45	P
67	Audit of Local Travel policies and Expenses (contract)	6/00	We will conduct an economy and efficiency audit of the policies, procedures, and practices related to local travel. We will determine the extent to which travel activities are cost effective, and performed in accordance with the Finance Board's policies and procedures. The focus of the review will be on local travel activities by senior officials of the agency, and will include such areas as the use of vehicles, and meal expenses paid for employees in non-travel status.	45	A
68	Audit of the effectiveness and compliance of FHFB's incentive awards program		We will conduct an audit to assess the effectiveness of the process for granting incentive awards to staff and the program's compliance with OPM regulations and internal policies and procedures.	45	A
69	Terminated/Ratified FHFB Contracts over \$2,500		We will audit all terminated contracts during the fiscal year to assess whether the Finance Board received services and/or goods consistent with the amounts paid to contractors.	45	A
70	Audit of Finance Board Grievance process		We will conduct an audit of the effectiveness of the Finance Board's process for resolving grievances.	45	P
71	Audit of FHFB's policies and procedures for the purchase of FF&E (contract)	6/93	We will conduct a performance audit to assess the effectiveness of controls over agency purchases of FF&E.	45	A
72	Performance Audit - FHFB's Lease Agreements for FF&E and Other Goods (contract)	6/93	We will conduct an audit of the controls over lease agreements for FF&E and other goods to assess how well the Finance Board is managing these leases.	40	A
73	Audit of FHFB's Process for Facilitating the Sharing of Best Practices by the FHLBanks		We will assess the Finance Board's policies and procedures related to the FHLBanks' sharing of best practices in order to facilitate the accomplishment of their mission.	35	P
74	Peer Review of Other Offices of Inspector General	12/03	As part of our reciprocal commitment to the ECIE and to facilitate compliance with the IG Act, we will conduct peer reviews of other OIG audit functions.	30	P

Type Function
A = Administrative Audit
P = Program Audit

EXHIBIT 2

OIG'S FIVE YEAR AUDIT PLAN AS OF APRIL 1, 2004

Exhibit 2

Proposed Audits	Last Audited	Priority Scoring	Type Function	FREQUENCY	Staff Days	4/1/04-3/31/05	4/1/05-3/31/06	4/1/06-3/31/07	4/1/07-3/31/08	4/1/08-3/31/09
1 Audit of FHFB's Financial Statements (contract)	4/03	140	A	Annually	100	100	100	100	100	100
2 Audit of the Finance Board's compliance with the Federal Information Security Management Act (FISMA) (contract)	10/03	130	A	Annually	120	120	120	120	120	120
3 Survey of the Office of Supervision	5/92	120	P	Every 5 years	80	80				
4 Audit of the Effectiveness of Examiner Recruitment, Selection, and retention (Contract)		115	P	Every 5 years	120	120				
5 Review of Finance Board's Performance Report on progress toward accomplishing the agency's Strategic Plan performance measures		115	P	Every 2 years	40	40		40		40
6 Audit of the Thoroughness of Examinations in identifying safety and soundness issues (Contract)	9/98 (GAO)	115	P	Every 5 years	180		180			
7 Audit of the Effectiveness of FHFB's Records Management Function (contract)		115	A	Every 5 years	100	100				
8 Audit of the Effectiveness of examinations in assessing Dealers' compliance with underwriting agreement (contract)		110	P	Every 5 years	80			80		
9 Survey of OGC	11/92	110	P	Every 5 years	40	40				
10 Survey of the Information Technology Program (Contract)	5/96	110	P	Every 5 years	100		100			
11 Audit of Effectiveness of IT Function in Meeting Needs of Finance Board Offices (contract)		110	A	Every 3 years	40		40			40
12 Audit of the Finance Board's Compensation policies and procedures (contract)		110	A	Every 5 years	40			40		

OIG'S FIVE YEAR AUDIT PLAN AS OF APRIL 1, 2004

Exhibit 2

Proposed Audits	Last Audited	Priority Scoring	Type Function	FREQUENCY	Staff Days	4/1/04-3/31/05	4/1/05-3/31/06	4/1/06-3/31/07	4/1/07-3/31/08	4/1/08-3/31/09
13	Audit of FHFB's Process for establishing and monitoring compliance with Risk Based Capital Regulations (contractor)	105	P	One time	120		120			
14	Audit of FHFB's process for monitoring the Office of Finance's debt issuances	105	P	Every 5 years	40			40		
15	Audit of Adequacy of Physical Security over Agency Assets (contract)	105	P	Every 3 years	40		40			40
16	Audit of the Effectiveness of examinations in assessing Community Investment Programs' implementation	100	P	Every 5 years	100			100		
17	Audit of the Adequacy of FHFB's AHP Regulations	100	P	Every 5 years	100				100	
18	FHFB's use of Contract Legal Services	100	P	One time	40		40			
19	Audit of the Effectiveness of the Examiner Training Program	100	P	Every 5 years	40			40		
20	Audit of the effectiveness of examinations in assessing FHLBanks' AMA products comply with FHFB regulations.	100	P	Every 5 years	120		120			
21	Performance Audit - FHFB's Contracting for Services	100	A	Every 5 years	100					100
22	Audit of Budgeting for IT Equipment and Software (contract)	100	A	Every 5 years	60		60			
23	Follow-up on Prior Audits	100	A	Annually	20	20	20	20	20	20
24	Audit of the Disposition of IT Equipment (contract)	100	A	Every 3 years	40	40			40	
25	Audit of the facilities management function	100	A	Every 5 years	40	40				
26	Audit of the adequacy of the design of the AHP database to effectively meet end user needs	100	P	One time	120			120		

OIG'S FIVE YEAR AUDIT PLAN AS OF APRIL 1, 2004

Exhibit 2

Proposed Audits	Last Audited	Priority Scoring	Type Function	FREQUENCY	Staff Days						
						4/1/04-3/31/05	4/1/05-3/31/06	4/1/06-3/31/07	4/1/07-3/31/08	4/1/08-3/31/09	
27	Audit of the Adequacy of Enforcement Tools to ensure Responsiveness to Examination Findings and Recommendations	9/98 (GAO)	95	P	One time	80					80
28	Audit of Examination Criteria for Assessing Mission Achievement by the FHLBanks and the effectiveness of examination in ensuring that criteria is met by the FHLBanks.		95	P	One time	100					100
29	Compliance Audit of the Finance Board's Ethics Program		95	P	One time	60			60		
30	Survey of Human Resources Function (Emphasis on Merit Pay and Hiring)		95	A	One time	40		40			
31	Audit of Finance Board's promotion and retention process		95	A	One time	60			60		
32	Audit of Effectiveness of Processing Issues thru the Finance Board (contract)	11/95	95	P	One time	40	40	40			
33	Audit of the integrity of the AHP data		90	P	One time	80					80
34	Compliance Audit - Out of Town Travel Expenses (contract)	6/00	90	A	Every 5 years	60		60			
35	Economy/Efficiency and Security Audit FHFB's Mailing/Shipping Costs (contract)	3/99	90	A	One time	20			20		
36	Audit of the Effectiveness of FHFB Oversight of FHLBank Directors' Elections and Appointments	6/93	85	P	One time	30					30
37	Audit of FHFB's Payroll (contract)	4/03	85	A	Annually	2	2	2	2	2	2
38	Limited Review of the FHFB's implementation of OMB Circular A-123 (Contract)	12/03	85	A	Annually	20	20	20	20	20	20
39	Audit of the security of the AHP database		80	P	One time	60					60

OIG'S FIVE YEAR AUDIT PLAN AS OF APRIL 1, 2004

Exhibit 2

Proposed Audits	Last Audited	Priority Scoring	Type Function	FREQUENCY	Staff Days					
						4/1/04-3/31/05	4/1/05-3/31/06	4/1/06-3/31/07	4/1/07-3/31/08	4/1/08-3/31/09
40	Audit of the Effectiveness of FHFB's Monitoring of Pilot Programs	80	P	One time	60			60		
41	Audit of the Timeliness of Examinations	4/95	80	P	Every 5 years	60				60
42	Survey of FHFB's Procedures For Dissemination of Information and Soliciting Input From External Sources	80	P	One time	40					40
43	Audit of the Adequacy of Community Support Program Regulations and Program Results	6/93	80	P	Every 5 years	80				80
44	Audit of Effectiveness of Process for Performing Personnel Security Clearances (contract)	80	A	One time	40			40		
45	Audit of Finance Board Implementation of a Telecommuting Program (contract)	80	A	One time	80	80				
46	Audit of FHFB's Cash Receipts (contract)	9/97	80	A	Annually	2	2	2	2	2
47	Audit of the Process for Developing FHFB's Strategic Plan	75	P	One time	40					40
48	Audit of FHFB's Effectiveness in Identifying and Tracking FHFB related Legislative Issues	75	P	One time	40					40
49	Audit of the Finance Board's Training Program	75	A	Every 5 years	50			50		
50	Audit of FHFB's Maintenance and Disposition of non-IT FF&E (contract)	6/94	75	A	Every 5 years	60			60	
51	Audit of FHFB's Accounts Payable (contract)	4/03	75	A	Annually	2	2	2	2	2
52	Audit of FHFB's Cash Management and Budget Process (contract)	70	A	Every 5 years	40			40		
53	Compliance Audit - FHFB Lease Agreement with Bldg. Mgmt. (contract)	70	A	Every 5 years	20					20

OIG'S FIVE YEAR AUDIT PLAN AS OF APRIL 1, 2004

Exhibit 2

Proposed Audits	Last Audited	Priority Scoring	Type Function	FREQUENCY	Staff Days					
						4/1/04-3/31/05	4/1/05-3/31/06	4/1/06-3/31/07	4/1/07-3/31/08	4/1/08-3/31/09
54	Survey of FHFB's EEO Function (contract)	65	P	Every 5 years	80				80	
55	Audit of Effectiveness of Handling Confidential Documents in FHFB	65	P	Every 5 years	40				40	
56	Audit of the Controls Over FHFB's Centrally Billed Procurement Credit Card Accounts (contract)	60	A	Every 5 years	40					40
57	Audit of the Finance Board's personnel records management function (contract)	60	A	Every 5 years	60					60
58	Audit of the Controls Over FHFB's Centrally Billed Travel Credit Card Account (contract)	3/95	60	A	Every 5 years	40				40
59	Audit of Budgeting for non-IT Equipment	60	A	Every 5 years	40					40
60	Performance Audit - Parking Program	4/98	60	A	Every 5 years	20				20
61	Audit of the Effectiveness of Examiner Coordination with Other Financial Regulatory Agencies	55	P	Every 5 years	60				60	
62	Compliance Audit - Use of Individually Assigned Government Credit Cards (contract)	5/02	50	A	Every 5 years	60			60	
63	Audit of the Expenditures from Receptions & Representation Fund (contract)	6/02	50	A	Annually	10	10	10	10	10
64	Compliance Audit - FHFB's Lease Agreement with Tenants (contract)	50	A	Every 3 years	10		10			10
65	Audit of FHFB's Accounts Receivable (contract)	2/01	50	A	Annually	2	2	2	2	2
66	Audit of Supervision's Oversight of FHLBank Internal Audit Function	5/92	45	P	One time	60			60	
67	Audit of Local Travel policies and Expenses (contract)	6/00	45	A	Every 5 years	60				60

OIG'S FIVE YEAR AUDIT PLAN AS OF APRIL 1, 2004

Exhibit 2

Proposed Audits	Last Audited	Priority Scoring	Type Function	FREQUENCY	Staff Days	4/1/04-3/31/05	4/1/05-3/31/06	4/1/06-3/31/07	4/1/07-3/31/08	4/1/08-3/31/09
68	Audit of the effectiveness and compliance of FHFB's incentive awards program	45	A	Every 5 years	20					20
69	Terminated/Ratified FHFB Contracts over \$2,500	45	A	Annually	10	10	10	10	10	10
70	Audit of Finance Board Grievance process	45	P	One time	60					60
71	Audit of FHFB's policies and procedures for the purchase of FF&E (contract)	6/93	45	A	Every 5 years	60				60
72	Performance Audit - FHFB's Lease Agreements for FF&E and Other Goods (contract)	6/93	40	A	Every 5 years	40			40	
73	Audit of FHFB's Process for Facilitating the Sharing of Best Practices by the FHLBanks	35	P	Every 5 years	40					40
74	Peer Review of Other Offices of Inspector General	12/03	30	P	Every 3 years	15		15		
Total Audit Staff Days Scheduled						858	1138	1153	1168	1188
Total OIG Staff Days Required						280	500	500	500	500
Total Contract Audit Days Required						578	638	653	668	688

EXHIBIT 3



***FEDERAL HOUSING FINANCE BOARD
OFFICE OF INSPECTOR GENERAL***

Audit Plan

*April 1, 2004 – March 31, 2005
Exhibit 3 to OIG's Strategic Plan*

*Edward Kelley
Inspector General*

OIG'S ANNUAL AUDIT PLAN

Foreword

This annual audit plan, presented as Exhibit 3 to OIG's strategic plan, identifies the audit activity planned for the period April 1, 2004 through March 31, 2005. The audit activities were selected because of: 1) their relevance to the Finance Board's management officials, 2) the vulnerability of the area to be audited, and 3) the statutory mandate. The planned audit activity is subject to change due to unanticipated matters of higher priority. Such changes will be communicated to the Chairman and other Board Members, as appropriate.

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



Edward Kelley
Inspector General

OFFICE OF INSPECTOR GENERAL

Audit Plan for April 1, 2004 – March 31, 2005

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INTRODUCTION

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

For its audit responsibilities, OIG has established a plan of activities for the period April 1, 2004 – March 31, 2005, that are designed to meet Goal 1, Objectives A, B, and C of OIG's strategic plan. The planned audits also support accomplishment of the Finance Board's strategic plan and help to prevent fraud, waste, and abuse. Audits are selected based upon: (a) the results of our audit activities for April 1, 2003 – March 31, 2004; (b) the Finance Board's strategic plan; (c) recommendations of agency managers; (d) predetermined criteria – as set forth on page five; (e) the professional standards and requirements of the Comptroller General, the American Institute of Certified Public Accountants, and the Office of Management and Budget; and (f) Congressional emphasis on combating fraud, waste, and abuse.

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

OVERVIEW OF AUDIT RESPONSIBILITIES AND DEFINITIONS

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

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

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

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

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

PROJECTS COMPLETED FROM APRIL 1, 2003 – MARCH 31, 2004

OIG's Audit Plan for the period April 1, 2003 – March 31, 2004, was based on planned staffing of the IG, one full time auditor, one full time Counsel to the IG, and one full time Administrative Office Manager. For most of the period, the auditor positions remained vacant because Finance Board management had not authorized the funding to fill these budgeted and authorized positions. As a result, four audits planned for this period, were not initiated or completed. Despite the staffing shortage, OIG completed the following audits and related projects:

1. A semiannual report to the President and the Congress for the period October 1, 2002 to March 31, 2003 issued May 1, 2003;
2. An audit of the Finance Board's Fiscal Year 2003 Financial Statements was issued on March 31, 2004;
3. An update of the Office of Inspector General's *Five Year Audit Plan* for the Finance Board issued April 3, 2003;
4. An audit of the Finance Board's Fiscal Year 2002 Financial Statements was issued on April 4, 2003;
5. An audit of the Finance Board's Compliance with the Federal Information Security Management Act was issued on October 10, 2003;
6. A semiannual report to the President and the Congress for the period April 1, 2003 to September 30, 2003 was issued on November 13, 2003;
7. OIG's vulnerability assessment for FY' 2003 was issued on November 14, 2003;
8. A proposed policy on coordination with OIG was issued on November 24, 2003;
9. A limited review report on the Finance Board's implementation of OMB Circular A-123 was issued on December 17, 2003;
10. A peer review of the National Credit Union Administration Office of Inspector General was issued on December 17, 2003;
11. An audit of the Finance Board's Procurement Policies, Procedures, and Practices was issued on December 31, 2003; and
12. Reviews and comments on various proposed agency policies and procedures were provided during the period of April 1, 2003 through March 31, 2004.

AUDIT RANKING CRITERIA

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

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

In applying these criteria for the April 1, 2004 – March 31, 2005 audit year, we selected the audits, surveys, management reviews, and liaison activities that are represented under appropriate captions on the following pages.

PLANNED AUDIT ACTIVITIES FOR APRIL 1, 2004 – MARCH 31, 2005

Survey of Office of Supervision

We will conduct a survey to identify the responsibilities of the office and assess the internal controls in place to ensure that these responsibilities are met.

Planned period for audit: May – June 2004

Audit of the Disposition of IT Equipment (contract)

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

Planned period for audit: May 2004.

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

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

Planned period for audit: May – September 2004

Audit of FHFB's FY'2004 Financial Statements (contract)

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

Planned period for audit: June –November 2004

Audit of the Effectiveness of FHFB's Records Management Function (contract)

We will conduct an audit of the effectiveness of policies and procedures for managing Finance Board records.

Planned period for audit: June –July 2004

Audit of the Facilities Management Function

We will conduct an audit of the facilities management function to determine whether adequate procedures exist to ensure the proper management of agency facilities and equipment.

Planned period for audit: July - August 2004

Audit of the Effectiveness of the Examiner Recruitment Selection and Retention Process

We will review this area to determine whether adequate steps have been taken to recruit qualified and diverse candidates for examiner positions; whether the selection process was adequately competitive; and what efforts are made to retain quality examiners.

Planned period for audit: August - October 2004

Limited Review of the FHFB's implementation of OMB Circular A-123

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

Planned period for audit: October 2004

Audit of Effectiveness of Processing Issues thru the Finance Board (contract)

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

Planned period for audit: November 2004 – January 2005

Survey of the Office of General Counsel (contract)

We will review the various regulations, policies, and procedures that outline the various OGC responsibilities and will review OGC operations to determine if adequate controls exist to meet these responsibilities.

Planned period for audit: January - March 2005

*Audit of Finance Board Implementation of a Telecommuting Program
(contract)*

We will conduct an audit to determine whether the Finance Boards telecommuting policies and procedures comply with applicable OPM regulations and to identify possible telecommuting opportunities at the Finance Board.

Planned period for audit: February – April 2005

Follow-up on Completed Audits

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

Planned period for follow-up: Quarterly

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

We will audit all contracts terminated/ratified during the period April 1, 2004 through March 31, 2005 to assess whether the Finance Board received services and/or goods consistent with the amounts paid to contractors.

Planned period for audit: As appropriate

LEGISLATED REPORTING REQUIREMENTS

Semiannual Reports to Congress

In accordance with the [Inspector General Act of 1978](#), as amended (IG Act), we will prepare and transmit to the Congress semiannual reports on the activities of the Inspector General Office at the Finance Board. We will prepare, no later than April 30, 2004 and October 31, 2004, semiannual reports that summarize OIG activities during the immediately preceding six-month periods ending March 31, 2004 and September 31, 2004. OIG semiannual reports will be furnished to the Chairman of the Finance Board and in accordance with the [IG Act](#), within 30 days of receiving the reports; the Chairman is required to transmit the report and certain other information to the appropriate committees and subcommittees of the Congress.

Planned period for project: April and October 2004

SPECIAL PROJECTS

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