ANNUAL PERFORMANCE PLAN 2001

Appendix B to Strategic Plan

OIG

Office of Inspector General

ANNUAL PERFORMANCE PLAN 2001

Foreword

This performance plan, presented as an appendix to our *Strategic Plan 2000 – 2004*, details the activities we plan to conduct during 2001. We have tied our anticipated work to the three strategic goals, and their related objectives, outlined in our strategic plan. Unforeseen events, such as failed banks and new legislated requirements may cause us to alter this plan.

The results of our activities for the calendar year will be reported to the Chairman, other members of the Board (directly or through the Board's committees), and senior Board officials. The results will also be summarized in our semiannual reports to Congress as required by the Inspector General Act.

Barry R. Snyder
Inspector General

Introduction

Last year, the Office of Inspector General (OIG) of the Board of Governors of the Federal Reserve System (Board) published its *Strategic Plan 2000-2004*. The strategic plan represents the long-range direction for the OIG and forecasts the future nature and focus of our work over the five-year period. The plan emphasizes our mission, vision, values, and major goals and objectives. We also published our *Annual Performance Plan 2000* (appendix A), which described our planned work for last year. This *Annual Performance Plan 2001* is the second appendix (appendix B) to our *Strategic Plan 2000-2004* and details the work we plan to perform in 2001.

In developing this year's annual performance plan, we reevaluated the internal and external environmental factors that are impacting the Board and the OIG community at large. Through discussions with a number of senior officials responsible for the Board's major program areas, we confirmed that, in the coming years, a number of significant environmental changes will affect the Board and other financial regulators. These include economic changes such as market globalization; technological and financial innovations such as check modernization, e-banking, e-commerce, and e-government; statutory and regulatory framework revisions such as the recent financial modernization efforts and the resultant changes to the Board's supervision, regulation, and oversight programs; and changes in social trends such as the continual aging of the U.S. population. Significant changes are also anticipated in the way the Board manages and performs its programs and operations that will in turn impact program performance, operational efficiency, and the Board's overall control and compliance structure. We have weighed these factors in deciding what projects to perform during 2001. Furthermore, we believe the following management challenges will need to be addressed by the Board so that they do not adversely affect the Board's ability to achieve its goals and objectives:

- Human capital and human resource programs including employee compensation, retention, development and training, diversity, sucession planning, and performance evaluation.

- Information security, particularly the need to be vigilant regarding access to key Federal Reserve systems and to prevent unauthorized access to, and disruption of, the Board's Internet activities.

- Information technology, both in support of internal administrative operations as well as major Board programs.

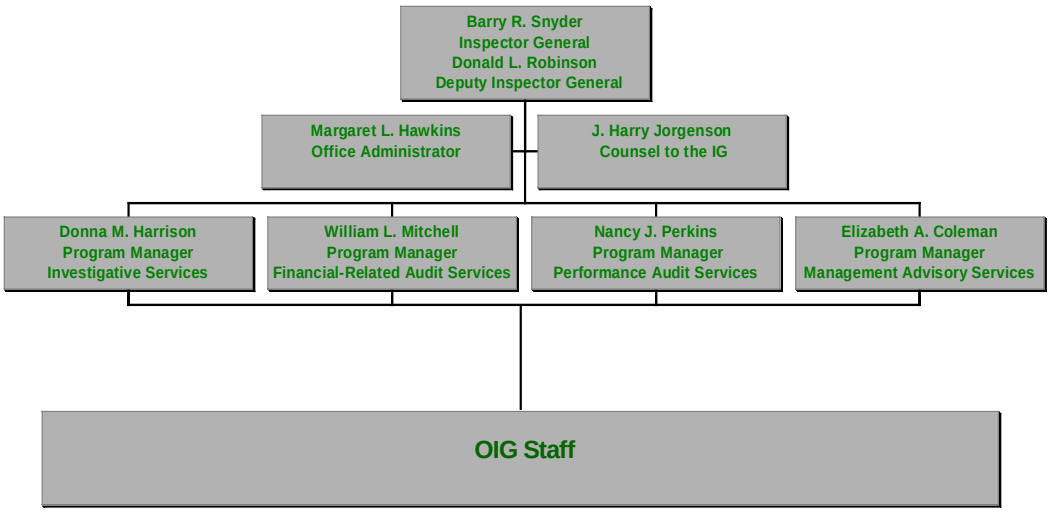
- Strategic planning and budgeting to include the need to update plans, institutionalize biennial budgeting, and establish more meaningful performance measures and feedback systems.

We plan to communicate these and other possible management challenges to the Board and to Congress through upcoming reports and our semiannual reports to the Congress. We have also incorporated many of them in our planned projects in this performance plan.

The OIG performs its duties and responsibilities under four major service areas (as shown in the organization chart that follows). Combined, these service areas perform traditional audits and investigations as well as some nontraditional consulting and partnering with Board management and staff.

Office of Inspector General

January 2001



The four service areas as reflected in our organization chart are:

- Investigative Services – This service area performs criminal and administrative investigations of alleged fraud, waste, abuse, mismanagement, and employee misconduct. This area also maintains our nationwide Hotline operations.

- Financial-Related Audit Services – This service area performs audits of the Board's financial statements, other financial information, budget data, and financial performance reports. This area also evaluates the internal controls and security procedures governing the Board's contracting and procurement activities, financial and management information systems, and the Board's facilities, assets, and sensitive information.

- Performance Audit Services – This service area performs program results and economy and efficiency audits of programs and operations within the Board's three major mission areas – monetary policy, banking supervision and regulation, and oversight of payment systems and financial services.

- Management Advisory Services – This service area performs reviews of proposed and enacted laws and regulations, and reviews of proposed changes to the Board's policies and procedures. This area also provides consulting and assistance to managers to help analyze the inherent and operational risks in their work environments; conducts business process reviews of selected operations; participates in major Board projects and system development efforts; provides early warning of potential problems; and provides other technical assistance and training.

Our planned work for the year 2001, shown in conjunction with our strategic goals and objectives, can be found in the sections that follow.

Goal 1: Provide Value-Added Customer Service to the Board

Objective 1: Improve and Enhance the Board's Program Operations

Audit of the Board's Implementation of the Government Performance and Results Act of 1993

Project Overview: The Government Performance and Results Act of 1993 (GPRA) continues to receive a high level of congressional attention. The purpose of GPRA is to ensure that federal agencies and the Congress have sufficient performance information to make important program and budget decisions. While not specifically subject to GPRA, the Board has chosen to voluntarily comply with its requirements. In 2000, we began an audit scoping effort to assess the current status of the Board's efforts to implement GPRA. During 2001, we will complete our efforts and report on the results of our work.

Projected Start Time: Carryover from 2000
Projected Completion: March 2001

Audit of the Board's Oversight Approach for the Federal Reserve's Check Modernization Project

Project Overview: In October 1999, the Board endorsed the Federal Reserve Banks' check modernization strategy. The modernization effort is comprised of four projects that are designed to standardize the Reserve Banks' platforms for check processing, adjustments, image services, and delivery of web-based services. The check modernization project is one of the largest automation projects ever undertaken by the Federal Reserve Banks and will affect how more than 5,500 employees do their jobs. Costs are expected to exceed $270 million through 2003. When completed, check modernization is expected to reduce time to market for new products; improve service consistency, uniformity, flexibility, and quality; facilitate the transition to electronics; and reduce the ongoing cost of check services.

The Division of Reserve Bank Operations and Payment Systems (RBOPS) provides oversight of the project for the Board to ensure that the project is managed and implemented consistent with sound business practices and in compliance with Federal Reserve policies. Our audit work will assess the Board's oversight strategy for the multi-year check modernization project. Specifically, we plan to review how RBOPS plans to gather and assess the reliability of information on the project, evaluate the implications of that information relative to recognized risks, and communicate its assessments to project officials and the Board.

Projected Start Time: January 2001
Projected Completion: July 2001

Interagency Audit

Project Overview: Many of the issues that face the Board's supervision and regulation mission area also confront the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency. In 2001, we plan to conduct a joint or coordinated audit with the other Inspectors General in the financial regulatory agencies to promote consistency in our evaluations and priorities and to help provide a more global assessment of issues that warrant attention. Although the specific project has not yet been selected, potential audit areas include the shared national credit program, regulatory activities related to money laundering, regulatory activities related to suspicious activity reporting, or change of control applications.

Projected Start Time: April 2001
Projected Completion: August 2001

Audit of the Conflicts of Interest Policy Pursuant to the Gramm-Leach-Bliley Act

Project Overview: The passage of the Gramm-Leach-Bliley Act in 1999 (GLBA) significantly expanded the powers of banks to engage in new activities. The Federal Reserve and the other agencies are working together under tight time frames to write a wide range of rules to implement the legislation, including new regulations and modifications to existing regulations. GLBA also codified the principle of "functional regulation" whereby the different financial activities of a diversified financial service firm should be regulated by the governmental authorities responsible for each activity. The legislation also confirmed the Federal Reserve Board as the principal umbrella regulator of financial service firms. With the introduction of oversight responsibility for a wide range of financial entities and functions, it is important that the Board's ethics rules and policies be kept up to date. We plan to assess the adequacy of the System's conflicts of interest policy as a result of the complexities introduced by GLBA.

Projected Start Time: August 2001
Projected Completion: January 2002

Audit of the Board's Supervisory Approach to Electronic Banking

Project Overview: The electronic environment continues to evolve in terms of the technology and activities conducted. In many cases, financial institutions will deploy multiple systems to provide customers with a range of services. If not adequately managed, electronic banking activities can pose a high risk to financial institutions. We will perform an audit to evaluate the Board's supervisory approach to electronic banking.

Projected Start Time: September 2001
Projected Completion: March 2002

Audit of the Division of Banking Supervision and Regulation's Surveillance Program

Project Overview: The Federal Reserve System's surveillance program tracks the condition and performance of individual banking institutions, assesses macro trends in the banking industry and the economy, and provides statistical and analytical support to the examination staff. The surveillance program is performed at the Board as well as at each Reserve Bank. The importance of the surveillance function has increased now that the System has implemented a risk-focused approach to examination, which requires more intensive pre-examination planning and scoping to ensure that examiners focus their efforts on areas that pose the greatest risks to an institution's safety and soundness. The objective of this audit is to evaluate the economy and efficiency of the System's surveillance program. Our work will entail a Systemwide look at the surveillance efforts; the coordination between the Board, the Reserve Banks, and other regulators; and the overall efficiency of the Federal Reserve's surveillance activities

Projected Start Time: October 2001
Projected Completion: March 2002

Objective 2: Strengthen and Streamline the Board's Operational Infrastructure

Human Resources Business Process Self-Assessment

Project Overview: We will continue this collaborative assessment of the various business processes supporting the Board's Human Resources Function of the Management Division. This unique engagement blends the complementary methodologies and approaches from control self-assessment and business process reengineering to create a hybrid we have labeled "Business Process Self-Assessment" (BPSA). The project has been framed by a fundamental question—are staff efforts being directed at activities that have the greatest impact on the quality of services being provided to Board staff? Accordingly, our work to date has focused on the efficiency and effectiveness of business processes that support the core functions and challenged BPSA participants to identify opportunities for streamlining and/or automating business processes. During 2001, we will address the more strategic issues facing the Management Division in the human resources area. We are bringing in human resources strategy consultants to provide us with "best of breed" benchmarks from other organizations and to assist us as we collaborate with the Management Division in preparing practical and effective action plans. We will also be working with division officials in their strategic planning activities.

Projected Start Time: Carryover from 2000
Projected Completion: March 2001

Annual Audit of the Board's and Federal Financial Institutions Examination Council's Financial Statements

Project Overview: As in previous years, we have contracted for an independent public accounting firm to audit the financial statements of the Board and the Federal Financial Institutions Examination Council (FFIEC). (The Board performs the accounting function for the FFIEC.) Our auditors plan and perform the work necessary to obtain reasonable assurance that the financial statements are free of material misstatement. The audits include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audits also include an assessment of the accounting principles used and significant estimates made by management, an evaluation of the overall presentation of the financial statements, and a review of the internal controls over financial operations and reporting.

Projected Start Time: Carryover from 2000
Projected Completion: April 2001

Audit of the Controls Over Government Travel Cards

Project Overview: During the fourth quarter of 2000, we began an audit of the Board's government travel card program to assess the adequacy of the program's existing internal controls. We initiated this review based on control deficiencies identified by our investigative staff and by OIGs in other government agencies. During the audit, we plan to evaluate the effectiveness and efficiency of the program's goals and objectives, determine the adequacy of control procedures to ensure proper use, and evaluate compliance with current Board policy.

Projected Start Time: Carryover from 2000
Projected Completion: April 2001

Business Process Review of the Board's Publications Program – Phase II

Project Overview: The Board's publications program supports the various missions of the Board by making information about the Federal Reserve accessible to the federal government, regulated entities, legal and business communities, libraries and research institutions, economists and other scholars, consumers, and the public at large. A publications committee, composed of senior officials from several Board divisions and offices, oversees the program. Drawing on a mutual interest to evaluate publishing processes and products, we reached an agreement with the committee chairperson to conduct a two-phase business process review of the Board's publications program with a review team consisting of both OIG and publications program staff. Phase I of the project resulted in a two-part report to the committee describing our overall assessment of the program, outlining actions for committee consideration, and providing detailed supporting data and analyses. During phase II, we are working with the committee as it develops

guiding principles, considers alternative approaches, and researches best practices. We also anticipate providing on-going consulting and advisory services to the individual divisions as they perform the "zero-based review" of their publications, as suggested in the phase I report.

Projected Start Time: Carryover from 2000
Projected Completion: May 2001

Review of the New Building Acquisition

Project Overview: In 2000, Congress passed legislation amending section 10 of the Federal Reserve Act authorizing the Board to acquire a new building to "provide for the performance of the functions of the Board." This acquisition represents a major undertaking for the Board. We will begin a monitoring effort related to the project's planning, contract solicitation, and approval processes. Similar to our monitoring effort related to the Eccles Building Infrastructure Enhancement Project, we plan to review the overall project management and internal controls and will provide real-time feedback to senior Board management on our observations.

Projected Start Time: On-going throughout the year

Review of the Eccles Building Infrastructure Enhancement Project

Project Overview: In 1998, we began a monitoring effort of the project design, contract solicitation, and approval phases of this major Board procurement effort. During 1999 and 2000, we continued our efforts by reviewing the project's progress, with an emphasis on auditing change orders, project milestones, and progress payments. During 2001, we plan to place additional emphasis on contract modifications and the automated approval process. In addition, after the Finance Function of the Board's Management Division closes out a number of phases, we plan to review the closeout procedures and the function's compliance with those procedures.

Projected Start Time: On-going throughout the year

Participation in the Annual Audit of the Employee Benefits System Plans' Financial Statements

Project Overview: As in previous years, we will perform selected audit steps related to an independent public accounting firm's audit of the financial statements of the Federal Reserve Employee Benefits System Plans. Our audit work for this year involves verifying salary data, reconciling the payroll information reflected in the Board's payroll records to information contained in the Benefits System Plans' financial statements, and tracing payroll and Thrift Plan information to source documentation.

Projected Start Time: February 2001
Projected Completion: March 2001

Financial Management Control Self-Assessment

Project Overview: The Finance Function of the Management Division is responsible for directing the orderly and timely accomplishment of internal financial objectives, including formulation and execution of the Board's biennial budget, receipt and disbursement of funds, maintenance of books of accounts, preparation of periodic financial statements, control of staff positions, and review of organizational structure and reporting relationships. It also performs other functions, such as reviewing and analyzing the operating divisions' use of resources, initiation of new programs, or changes to existing programs. Building on experience gained from the Human Resources BPSA, we will form a partnership with the Finance Function to conduct a control self-assessment (CSA) of the Board's financial operations. The project will address two key aspects of the Board's financial operations: program analysis and budget, which focuses on budget formulation and execution; and finance and accounting, which focuses on maintaining the general ledger, preparing annual financial statements, and receiving and disbursing funds. We will also consider the linkages between the financial systems and the procurement function, which provides a centralized purchasing and contracting service for the acquisition of all Board supplies, equipment, services, and construction. In facilitating this CSA, we plan to review collaborative assurance methodology techniques and draw on them as appropriate to streamline and focus our work.

Projected Start Time: April 2001
Projected Completion: September 2001

Audit of the Board's Use of Purchase Cards and Electronic Commerce for Small Purchases

Project Overview: In 1995, the Board adopted a program to use credit cards for small purchases. The program's objectives were to improve procurement timeliness and to lower procurement costs by reducing the bureaucracy and paperwork associated with the acquisition process. We reviewed the Board's credit card program in 1996 as part of our audit of the Board's acquisition process. At that time, we commended the Board for implementing the credit card program and made several recommendations to help the Board maximize the program's benefits and strengthen the program's controls. Now that the Board's credit card program has been in place for several years, we plan to review the use of credit cards for small purchases to determine whether the program continues to be used effectively and whether controls over credit card purchases are sufficient. In addition, we plan to review the Board's use of electronic commerce for small purchases to evaluate the economy and efficiency gained from using the Internet as an acquisition tool and determine whether controls over e-commerce purchases are adequate.

Projected Start Time: May 2001
Projected Completion: October 2001

Management Development Infrastructure Self-Assessment

Project Overview: The Board relies on dedicated senior leadership and management teams to achieve organizational missions, goals, and objectives; foster a shared vision for the future; and build core values and commitment. We believe one of the Board's top management challenges will be to ensure a sustained commitment and continuity of leadership as leaders and managers arrive, retire, or depart. Board projections show that a large number of long-term managers and employees with "institutional memory" will be retiring over the next five years. Hiring and retaining the best talent will be particularly challenging given the tight labor market and the "public sector" discount that becomes most severe at the highest leadership levels. Building on information gained through the Human Resources BPSA, we will partner with the Human Resources Function of the Management Division and the Board's senior management to facilitate a self-assessment of the management development infrastructure, which we are defining to include hiring, diversity, retention, succession, and development. The self-assessment will focus on helping Board management objectively assess and profile their management development infrastructure, understand the strengths and limitations of the supporting data systems, and develop a systematic approach to address emerging issues.

Projected Start Time: October 2001
Projected Completion: July 2002

Objective 3: Promote the Board's Effective Use of Technology

Change Control Review

Project Overview: Last year, we began monitoring the Board's implementation of new procedures and automated software to control changes to applications in the Board's mainframe computing environment. The Board's Division of Information Technology (IT) started this project during 2000 to provide a change management architecture conducive to the support of mainframe-based applications. This project should be completed in 2001 when approximately sixty mainframe software applications will have been moved under the new change control environment. We plan to continue reviewing the procedures and documentation developed to support the implementation effort as well as the actual conversion efforts and we will provide real-time feedback regarding our observations to help management implement an effective and efficient change management process.

Projected Start Time: Carryover from 2000
Projected Completion: March 2001

Review of the Board's Participation in the Critical Infrastructure Assurance Program – Presidential Decision Directive 63

Project Overview: In May 1998, President Clinton issued Presidential Decision Directive 63 (PDD 63), which calls for a national effort to assure the security of the nation's critical infrastructures. Last year, we began to review the adequacy of the Board's critical infrastructure protection program in light of the requirements contained in PDD 63. The review is being conducted in multiple phases over a two-year period in a coordinated effort with the reviews at other OIGs as part of a community-wide initiative. Work during 2000 focused on planning and assessment activities for protecting critical cyber-based infrastructures. Late last year, we began a similar effort related to noncyber-based infrastructures. Work in this area will focus on the adequacy of plans, asset identification efforts, and initial vulnerability assessments and will be coordinated with the ongoing development of the Board's Continuity of Operations Plan. We will also be assessing the impact of the recently enacted government information security reform requirements on the scope of our PDD 63 audit activities.

Projected Start Time: Carryover from 2000
Projected Completion: March 2001

Supervisory Information Technology (SIT) Liaison

Project Overview: The Supervisory Information Technology (SIT) Section of the Board's Division of Banking and Supervision (BS&R) provides information technology management services for the supervision function. In response to their request, we have established a liaison with SIT management and staff to serve as a sounding board as they pursue their strategy over the next year. SIT's primary focus over their current planning horizon is on business application and infrastructure projects, as well as products that support fieldwork in all supervision areas. In addition to developing an understanding of the SIT system development life cycle approach, we are also exploring opportunities to provide SIT with our views of their progress in the context of a generally accepted maturity continuum.

Projected Start Time: On-going throughout the year

Audit of the Board's Secure Communications Operation

Project Overview: The Board's communications program provides voice, video conferencing, and facsimile services for the Board and the FFIEC. Notwithstanding the increased reliance on electronic mail for conducting business and disseminating information, voice and facsimile communications remain an integral part of the Board's programmatic activities. We plan to review the security aspects of the communications program to evaluate the levels of security afforded classified and sensitive communications,

identify potential vulnerabilities and recommend corrective action, and identify opportunities to improve the program's efficiency and effectiveness.

Projected Start Time: April 2001
Projected Completion: July 2001

Information Security Review

Project Overview: In November 2000, Congress passed the Floyd D. Spence National Defense Authorization Act for fiscal year 2000. That legislation contains specific requirements for the security policies and procedures over the information and information systems supporting federal agency operations and assets. That legislation also requires that each agency undergo an annual evaluation of its information security program and practices; responsibility for the evaluation was given to the agencies' Inspectors General. We plan to test the effectiveness of selected aspects of the Board's information security program and assess whether the program complies with the new legislative requirements.

Projected Start Time: July 2001
Projected Completion: October 2001

Mainframe Security Review

Project Overview: The Board's mainframe computer system helps collect, process, and maintain the information used in making monetary and economic policy decisions and in performing other regulatory, operational, and administrative activities. Because of the reliance on mainframe operations to support the Board's primary mission areas, the OIG has periodically conducted audits of the internal controls and the access controls associated with the Board's mainframe computer resources. During 2001, we plan to perform an audit of the OS/390 mainframe operating system and the access control software (ACF2) to evaluate the security and integrity of their installation and maintenance. We will coordinate this effort with our ongoing review of the Board's implementation of new change control procedures and automated software.

Projected Start Time: August 2001
Projected Completion: January 2002

Follow-up of Phase I of Presidential Decision Directive 63

Project Overview: As a result of our participation in the OIG community-wide review of PDD 63 implementation efforts, we issued a report on the Board's planning and assessment activities for protecting critical, cyber-based infrastructures. Our report contained three recommendations designed to help the Board complete its planning and assessment activities and to help ensure that the requirements of the directive within the Federal

Reserve System and the banking industry are adequately fulfilled. Management generally agreed with our recommendations, and we plan to follow up on the Board's implementation activities related to this effort.

Projected Start Time: October 2001
Projected Completion: November 2001

Objective 4: Help the Board Limit Risk and Ensure Compliance

Investigative Services

Project Overview: Our investigators will continue to address allegations of wrongdoing related to the Board's programs and operations, as well as violations of the Board's standards of conduct. We will respond to Hotline complaints as well as allegations that are referred to the OIG from our audit staff, Board program staff, and other sources.

Projected Start Time: On-going throughout the year

OIG Integrity Awareness Briefings

Project Overview: The OIG will develop a presentation format to assist with the Board's efforts to modernize their employee orientation program that will foster a greater understanding of the OIG's roles and responsibilities within the Board and employee's responsibilities with respect to fraud prevention and detection. Outreach efforts will focus on providing presentations to selected Board populations to include new employees, senior and mid-level management.

Projected Start Time: On-going throughout the year

Follow-up of the Board's Academic Assistance Program

Project Overview: In February 1999, we issued our *Report on the Board's Academic Assistance Program.* The report contains ten recommendations designed to establish an internal control framework for the Academic Assistance Program to help ensure the program (1) achieves its objective of providing financial assistance for Board-related courses to enhance employee work performance and career development, (2) complies with applicable laws and regulations, and (3) expends funds for the intended purposes and in accordance with Board policy. Management agreed with each of the recommendations and we plan to follow-up on changes to the Academic Assistance Program since the original audit report was issued.

Projected Start Time: Carryover from 2000
Projected Completion: February 2001

Human Resources Business Process Review – Compliance

Project Overview: We have recently widened the scope of our Human Resources BPSA (see the related project under objective 2) to use collaborative self-assessment techniques to evaluate the Board's compliance with certain human resources-related laws and regulations. We will work with representatives from the Legal Division and the Human Resources Function to identify and prioritize the human resources programs to be evaluated during the current and future years. We will also work with these individuals to validate a methodology for conducting compliance audits and assessments related to human resources management.

Projected Start Time: Carryover from 2000
Projected Completion: June 2001

Follow-up of the Review of the Board's Frequent Flyer Policy

Project Overview: In June 2000, we issued our *Report on the Review of the Board's Frequent Flyer Policy*. The report contained two recommendations designed to provide a cost-effective control framework at the Board similar to frequent flyer programs established at other agencies. Management agreed with our recommendations and we plan to follow-up on changes to the Board's frequent flyer policy and on progress towards implementing a travel incentive program.

Projected Start Time: October 2001
Projected Completion: January 2002

Goal 2: Enhance Coordination and Information Sharing With the Congress, IG Community, and Others

Objective 1: Develop and Enhance Relations with the Congress

Review of Legislation and Regulations

Project Overview: The OIG reviews and analyzes legislative and regulatory requirements and proposals both as part of our routine activities and on an ad hoc basis. We routinely keep track of pending legislation by reviewing lists prepared by the Board's law library, sharing information with others in the Inspector General community, and coordinating with

Board programs that also review new and proposed legislation. With the transition to a new administration in 2001 and changes in the leadership of key congressional committees and subcommittees, our congressional liaison functions will take on added emphasis to ensure we stay up-to-date on legislative initiatives that may impact the Board and the financial services industry.

Projected Start Time: On-going throughout the year

Objective 2: Improve Our Responsiveness to Allegations of Fraud, Waste, Abuse or Mismanagement and to Public Requests for Information

Hotline Operations

Project Overview: The OIG Hotline operation is available to those who want to report wrongdoing in the Board's programs and operations (including delegated functions). Our local and toll-free Hotline numbers and the Hotline address are published in many sources, including the in-house and local telephone directories of the Board, the Reserve Banks, and the Branches. Information received via the Hotline is confidential and callers to the toll-free numbers can remain anonymous. The Hotline is an integral part of the OIG's prevention and detection strategy which is designed to detect and identify causes of fraud and abuse, minimize any potential damage or loss, and help the Board resolve such problems and prevent their recurrence, if possible.

Projected Start Time: On-going throughout the year

Web Page Development and Enhancement

Project Overview: Last year, we began an initial redevelopment effort of our current web page to provide additional functionality and enhanced information content. We anticipate completing our initial redesign efforts during the first quarter of 2001. Later in the year, we plan to complete additional enhancements such as an electronic Hotline for reporting potential fraud and abuse and an Intranet reading room for disseminating information to the OIG staff. In addition, we plan to explore alternatives for maintaining and updating both our internal and external web pages.

Projected Start Time: Carryover from 2000
Projected Completion: December 2001

Objective 3: Take a Positive Leadership Role in the IG Community

Participation in the Executive Council on Integrity and Efficiency (ECIE)

Project Overview: As ECIE Vice Chair, the Board's Inspector General provides leadership, vision, direction, and initiatives for the Council on behalf of the ECIE Chair (Deputy Director for Management, Office of Management and Budget). The responsibilities of the Vice Chair include keeping the Chair informed of issues and items of concern, conducting meetings, developing and distributing the agenda for the monthly ECIE meetings, preparing summaries of proceedings from these meetings, and representing the ECIE on the President's Council on Integrity and Efficiency (PCIE) and other councils as appropriate. We anticipate that our involvement in ECIE activities will increase during the year as the ECIE moves to adopt a new strategic plan for 2001 and beyond.

Projected Start Time: On-going throughout the year

Objective 4: Foster Interagency Approaches to Cross-Cutting Issues

Community Involvement

Project Overview: Our membership and leadership role in the ECIE, and our continued participation in the Council of Counsels to the Inspectors General, will provide vehicles for participating in, and helping to set the direction for, interagency and inter-entity projects—including audits, inspections, and investigations. Through these efforts, we can more efficiently and effectively deal with governmentwide issues of fraud, waste, and abuse. We will also look for other opportunities to join interagency efforts (such as the OIG GPRA Coordinators' Interest Group and the PCIE/ECIE Working Group on Critical Infrastructure Assurance) to share review techniques and offer OIG staff the opportunity to network with peers throughout the OIG community.

Projected Start Time: On-going throughout the year

Goal 3: Enhance the Efficiency and Effectiveness of Internal Operations

Objective 1: Continue to Improve Our Business Processes

Lotus Notes Migration

Project Overview: As the Federal Reserve System moves toward a standard groupware product for electronic mail and other applications, simplified and standardized domain structures throughout the System will be necessary to provide greater administrative support and enhanced functionality. During 2001, the OIG will convert to the Board's Lotus NOTES domain structure as part of a Boardwide standardization effort. Because the OIG adopted NOTES several years ago as our application platform for the majority of our core business processes, the domain conversion represents a significant undertaking for our office and will affect all application databases supporting our audit, investigative, and administrative functions. This project will include recertifying certificates, reconfiguring the NOTES desktop, updating application code, and modifying application-level security.

Projected Start Time: January 2001
Projected Completion: July 2001

Windows 2000 Implementation

Project Overview: Windows 2000 is a family of products consisting of Windows 2000 Professional for the desktop and Windows 2000 Server/Windows 2000 Advanced Server for the server. Windows 2000 offers a wide range of new and/or improved functions and features that, when deployed as a family, provide benefits from both a business and information technology perspective. The Federal Reserve System has established a Windows 2000 planning workgroup, and the Board as a whole—and specifically the OIG—are actively participating in the planning and deployment efforts for Windows 2000. The OIG upgraded all desktop platforms to Windows 2000 Professional in the fourth quarter of 2000; the office's servers will be upgraded to Windows 2000 Server within the next twelve-to-twenty-four months in conjunction with the Board's deployment schedule. Prior to the upgrade, OIG server hardware, software, and security requirements will be evaluated and upgrade as required to support the new operating system.

Projected Start Time: January 2001
Projected Completion: December 2001

Policies and Procedures Update

Project Overview: To adapt to changes in the OIG's organization structure and operational methodologies, we will evaluate and update existing policies and procedures as needed.

Projected Start Time: January 2001
Projected Completion: February 2001

Disaster Recovery Planning

Project Overview: Last year we completed an initial review of our operational requirements using various disaster scenarios to determine the optimal strategy for maintaining continuity of our audit, investigative, and administrative activities. Working with Board IT staff, we established enhanced back-up and recovery capabilities, including the establishment of off-site back-up tape rotations and the identification of contingency equipment in the event of a disaster at our New York Avenue facility. We plan to continue our disaster recovery planning efforts during 2001 through the testing and refinement of our revised contingency procedures. We will coordinate our work with the ongoing project to develop continuity of operations plans for each office and division at the Board.

Projected Start Time: January 2001
Projected Completion: March 2001

Financial Statement Audit Contract

Project Overview: As noted above, the OIG contracts for the independent public accounting firm's audit of the financial statements of the Board and the FFIEC. This year's financial statement audit represents the final option year on our current contract. Working closely with the Board's procurement staff, we will prepare all necessary solicitation documents, evaluate bids received, and award a new contract prior to the start of planning activities for the audit covering the 2001 financial statements.

Projected Start Time: April 2001
Projected Completion: October 2001

Application Design and Development

Project Overview: The use of Lotus NOTES as our application platform has allowed us to highly automate the majority of our core business processes. However, the original design of most of our key applications was completed in an early release of NOTES. As part of our migration strategy to the new NOTES domain structure (see the separate project description above), we will review the design and coding of each of our primary applications to identify opportunities to take advantage of upgraded software features and to

ensure that staff roles and responsibilities are properly aligned within the applications. We will prioritize development work over the next several years and select one redesign effort to complete by the end of 2001.

Projected Start Time: July 2001
Projected Completion: December 2001

Management Advisory Services Methodologies and Approaches

Project Overview: In September 1999, the OIG established the management advisory services program area to provide Board management with proactive, value-added consulting services that include conducting business process reviews of selected operations; facilitating internal control self-assessments; providing a neutral, third party perspective on new program or operational initiatives; and monitoring major Board projects and participating in information systems development efforts. A wide variety of approaches, tools, and techniques are available for use in performing this work. We will identify the approaches and associated tools and techniques that OIG staff can use in tailoring an approach for a specific engagement and provide guidance on how best to proceed in providing advisory services—from setting expectations with the client to delivering results.

Projected Start Time: September 2001
Projected Completion: December 2001

Objective 2: Enhance Our Human Capital through Effective Leadership and Management of Our Staff

New Employee Orientation Program

Project Overview: An updated orientation program will be developed for new OIG staff to provide continued mentoring support and to introduce new staff to office policies, pertinent administrative matters, and technical issues.

Projected Start Time: Carryover from 2000
Projected Completion: April 2001

Individual Development Plans

Project Overview: As part of our strategic approach to emphasizing career development and professional growth, we are creating individual development plans for each OIG staff member in 2001. The major objectives for individual development plans are to provide more opportunities to OIG staff to do different and challenging work (i.e., staff can and will

work in all four mission areas); expand OIG staff opportunities to learn and apply their knowledge and abilities; expand OIG staff's career choices, career paths, job enrichment options, and career opportunities; allow OIG staff members to take responsibility for managing their development goals and career options; produce experts of the Board's business and in the OIG's mission that will create best solutions for addressing issues and problems impacting the Board's programs and operations; allow the OIG to assemble, integrate, and retain highly talented employees who stay at the forefront of their professions; make it easier for OIG managers to coach, provide feedback, and develop the staff required to accomplish current and future business strategies; and improve the quality of performance and career development discussions between managers and employees.

Projected Start Time: Carryover from 2000
Projected Completion: June 2001

Performance Measures

We have adopted a new set of performance measures, which build upon the performance indicators in our *Strategic Plan*. The following table describes each performance measure and our goals for 2001:

Performance Measure	Goals for 2001
Productivity	
Degree to which OIG resources are productively utilized.	• Complete legislatively-mandated projects within requirements. • Complete carryover projects from 2000. • Complete customer–requested projects within requirements. • Complete scheduled follow-ups of previous work. • Complete at least 50% of other self-initiated projects. • Resolve at least 75% of Hotline complaints received. • Completion of new investigative cases opened during 2001 will be determined based on the nature and type of investigations. • Complete at least 75% of OIG internal projects. • Completion of required continuing education units.

Performance Measure	Goals for 2001
Timeliness Degree to which projects and products are completed according to legislated requirements or agreed upon milestones.	• 100% of legislatively mandated projects completed by established timeframe. • 100% of congressional or Board requested projects completed by negotiated deadline. • 75% of other projects completed by agreed upon milestone. • 75% of projects completed by agreed upon semiannual reporting period. • 100% of "significant" Hotline calls handled within 48 hours. • 90% of "general" Hotline calls handled within 72 hours. • 75% of training and development activities attended as scheduled
Quality Degree to which projects are conducted according to applicable standards, guidelines, policies and procedures and result in high-quality products.	• Projects will be conducted according to applicable standards, guidelines, policies, and procedures. • Products will be free of material inaccuracies or reliability problems.

Customer Satisfaction
 	
Where applicable, degree to which projects and products meet customer needs and expectations.
	• Achieve a high-level of customer satisfaction based on
	  • Feedback received from requestors,
	  • Results from customer surveys,
	  • Feedback from Hotline callers, and
	  • Feedback from OIG staff on internal process and system improvements.
	
	(2001 will be used to establish baselines for future years.)

Performance Measure	Goals for 2001

Results
 	
Degree to which OIG activities add value to the Board's programs and operations, enhance our external communications, and improve internal operations.
	• At least 75% of Goal 1 projects will result in products that identify one or more of the following:
	  • Program Improvements,
	  • "Funds for Better Use",
	  • "Questioned Costs",
	  • Control Improvements,
	  • Enhanced Law and Regulation Compliance, and
	  • Enhanced Fraud Prevention and Detection.
	• Improved congressional relationships.
	• Improved OIG communication with the public.
	• Enhancement of staff skills relative to OIG business requirements.