

Introduction

Strategic planning is the process of establishing goals and developing a roadmap for achieving those goals. Sound strategic planning is essential for the success of each of the regulated entities and the strategic plan serves as the primary means to communicate the board of directors' long-term vision for the organization and establish measurable goals and objectives for achieving this vision. This module is applicable in the examinations of the Federal Home Loan Banks (FHLBanks), Fannie Mae and Freddie Mac (the Enterprises) (collectively, the regulated entities).

Strategic planning should be a dynamic, ongoing, and continual process that evaluates the effect of changes within the operational and financial environments facing the regulated entity.

Each regulated entity should adopt a multi-year strategic plan enumerating operating goals and objectives. The board of directors is responsible for establishing the vision outlined in the strategic plan, establishing a risk appetite for the regulated entity, and ensuring the plan provides appropriate direction. In practice, development of the strategic plan is a process that includes management and staff in assessing the condition of the regulated entity and identifying risks to the institution. The strategic plan resulting from this collaborative effort should establish quantitative performance goals, describe potential risks, including those resulting from new business activities, and be supported by appropriate and timely research and analysis.

In its most fundamental form, strategic planning is the process of evaluating where the institution is, determining where the board would like the institution to go and which risks it is willing to accept, and developing a plan to get there. To serve as an effective board and management tool, the strategic planning process should include an analysis of the current financial and operational condition of the regulated entity and an assessment of internal and external risks to the organization. Strengths and weaknesses of the institution should be evaluated and opportunities and potential threats to the organization should be assessed. The plan should also include financial and operational goals and realistic projections that serve as benchmarks for achieving desired results within a defined timeframe. Such goals should be developed while considering how best to mitigate potential risks identified during the planning process. The strategic plan should identify the process by which the institution plans to reach its financial and operational goals, establish responsibilities for achieving those goals, and provide a means to monitor results on an ongoing basis.

Each regulated entity should have a board-approved policy outlining the institution's overall planning process. Such a policy should define who is responsible for developing key aspects of the plan and specify how the planning process works. Many regulated entities develop an annual strategic plan as part of an extended board of directors'

meeting where potential risks to the institution are reviewed, opportunities are considered, and strategies are developed.

While the strategic plan should not be a static document, changes should nonetheless be the exception and should be limited to adjustments warranted because of significant events that require adjustments to goals or assumptions. Formal direction should exist outlining the process by which the regulated entity modifies the existing strategic plan. Any adjustments to the established plan should be deliberated and fully supported by analysis.

To effectively communicate the vision of the institution, a strategic plan should be a self-contained, stand-alone document. The reader should not be expected to make assumptions regarding the context in which the plan was developed and should not be expected to refer to other documents to obtain information essential to understanding the plan. Financial projections should be detailed and provide the reader with a clear understanding of the financial goals established for the institution. Financial projections should be based on end-of-period financial statements to ensure reconciliation to generally accepted accounting principles (GAAP) financials. Further, the financial projections should be structured to allow regular benchmarking of actual performance versus plan projections and desired level of risk. The narrative of the plan should provide a detailed discussion of the assumptions used in developing the plan and should summarize the assessment of risks completed in developing the document.

The plan should also include financial projections under various financial and business scenarios. By including projections based on other underlying assumptions (such as changes to interest rate risk assumptions or credit conditions), the regulated entity can identify and plan for potential risks. The quality of a strategic plan should be questioned if forecasted performance varies significantly from historical performance without adequate justification.

Each regulated entity should establish a process to review and monitor actual performance relative to the strategic plan. Reporting requirements should be established to ensure a regular assessment of each component of the plan and that information is communicated to appropriate parties within the institution. The regulated entity should have established procedures outlining required actions to address unfavorable variances to the plan.

Regulatory Environment

The primary authorities governing or relevant to the regulated entities' strategic planning are set forth below. The examiner should ensure that the application of such authorities to a regulated entity has been considered by the regulated entity and its legal counsel.

1) *Rules and Regulations of the Federal Housing Finance Agency (FHFA) include the following parts and sections pertaining to strategic planning.*

12 CFR 1236 of the FHFA's regulations establishes the agency's Prudential Management and Operations Standards ("PMOS"). The PMOS guidelines state that the board of directors of each regulated entity is responsible for adopting appropriate business strategies, policies, and procedures; should review and approve all major strategies and policies at least annually, and make any revisions that are necessary to ensure that they remain consistent with the entity's overall business plan. (Appendix to Part 1236, Responsibilities of the Board of Directors, Item 1)

2) *Rules and Regulations of the Federal Housing Finance Agency (FHFA) and its predecessor, the Federal Housing Finance Board (Finance Board), include the following parts and sections relevant to strategic planning:*

12 CFR Part 917 of the Finance Board regulations describes the powers and responsibilities of FHLBank boards of directors and senior management. 12 CFR 917.5 provides detailed information on strategic plan requirements (see below). 12 CFR 917.3 (Risk Management), 917.4 (FHLBank Member Products Policy), and 917.6 (Internal Control System) also provide detailed requirements.

12 CFR 917.5 requires each FHLBank board of directors to have in effect at all times a strategic business plan that describes how the business activities of the institution will achieve the mission of the FHLBank consistent with the FHLBank's core mission activities (12 CFR Part 1265 pertains to core mission activities). 12 CFR 917.5(a)(1) states that each strategic business plan shall:

- a) Enumerate operating goals and objectives for each major business activity and new business activity;
- b) Discuss how the FHLBank will address credit needs and market opportunities identified through ongoing market research and consultations with members, associates, and public and private organizations and notify members and associates of relevant programs and initiatives;
- c) Establish quantitative performance goals for FHLBank products related to multifamily housing, small business, small farm, and small agri-business lending;
- d) Describe any new business activities (FHFA regulations at 12 CFR Part 1272 address these) or enhancements of existing activities; and
- e) Be supported by appropriate and timely research and analysis of relevant market developments and member demand for FHLBank products and services.

12 CFR 917.5(b) requires the board of directors to: (1) review the strategic business plan at least annually; (2) amend the plan as appropriate; (3) readopt the plan at least every three years; and (4) establish management reporting requirements and monitor implementation of the strategic business plan and the operating goals and objectives

contained in it. In addition, 12 CFR 917.5(c) requires the FHLBank to submit annually to the Federal Housing Finance Agency a report describing the FHLBank's performance in achieving the goals related to multi-family housing, small business activities, small farm, and small agri-business lending.

12 CFR Part 1265 of the FHFA's regulations describe the FHLBanks' mission and core mission activities and provide context for the strategic business plan. 12 CFR 1265.2 describes the mission of the FHLBanks; and 12 CFR 1265.3 lists the specific FHLBank activities that qualify as core mission activities.

12 CFR Part 1272 of the FHFA's regulations addresses new business activities and includes a number of restrictions and requirements. FHLBanks may not undertake any new business activities, as defined in the regulation, except in accordance with the procedures set forth in this part of the FHFA's regulations.

3) *Rules and Regulations of the FHFA and its predecessor, the Office of Federal Housing Enterprise Oversight (OFHEO), which include the following parts and sections relevant to strategic planning:*

12 CFR Part 1720 of the OFHEO regulations address corporate governance and the powers and responsibilities of the boards of directors of the Enterprises. In particular, 12 CFR 1710.15(b)(1) requires the boards of directors to have in place policies and procedures to assure its oversight of, among other things, corporate strategies, major plans of action, and risk policies and programs, including prudent plans for growth and allocation of adequate resources to manage operations risk.

12 CFR 1720.2, Appendix A, section B of the OFHEO regulations establishes guidelines on safety and soundness standards. In particular, Appendix A, section B.VIII. states that the board of directors shall ensure that the board works with executive management to establish the Enterprise's strategies and goals, and that executive management implements the strategies. In addition, Appendix A, sections B.I and II require balance sheet growth to be prudent with consideration given to volatility of funding, changes in credit or interest rate risk, and capital adequacy.

4) *Advisory Bulletins of the Federal Housing Finance Agency that provide supervisory guidance regarding strategic planning are the following:*

Advisory Bulletin 10-02, dated November 9, 2010, sets forth the principles that apply when evaluating the strategic plans of the FHLBanks. The bulletin emphasizes the requirements of 12 CFR 917.5 that an FHLBank's strategic plan establish quantitative performance goals for FHLBank products related to multifamily housing, small business, small farm, and small agri-business lending and that the FHLBank must report annually to the FHFA on its performance in achieving those goals.

5) *Advisory Bulletins of the Federal Housing Finance Board that provide supervisory guidance regarding strategic planning are the following:*

Advisory Bulletin 02-2, dated February 13, 2002, provides guidance regarding the annual report required by 12 CFR 917.5(c) that must analyze and describe the FHLBank's performance in achieving the quantitative performance goals established in the FHLBank's strategic business plan for products related to multifamily housing, small business, small farm, and small agri-business lending. FHLBanks should submit that report to the FHFA no later than March 31 of the year following the performance year.

Advisory Bulletin 03-08, dated August 18, 2003, requires the board of directors to adopt a retained earnings policy and to review the FHLBank's analysis of the adequacy of its retained earnings.

Advisory Bulletin 03-13, dated December 1, 2003, provides guidance as to the form, content, and timeliness of the financial reports that are completed by the FHLBanks pursuant to FHFA regulations.

Advisory Bulletin 04-2, dated May 13, 2004, provides guidance on a minimum standard that FHFA examiners will expect each FHLBank to satisfy for minutes of board meetings, including all general and executive sessions and board committee meetings.

Advisory Bulletin 05-05, dated May 18, 2005, requires that the board of directors and senior management of each FHLBank should ensure that the FHLBank's risk management process is effective and that the risk management oversight responsibilities of the board of directors, senior management, and other FHLBank personnel are clearly defined. Moreover, the board of directors and senior management should ensure that the FHLBank's risk management is undertaken on an enterprise-wide basis and the FHLBank's organizational structure is consistent with sound risk management practices.

Issues Specific to the Regulated Entities

Although the principles of strategic planning apply equally to the FHLBanks and the Enterprises, the differences in their respective business models results in some divergence in regulatory guidance.

Issues Specific to the FHLBanks

As cooperatives, the regulations provide for, and FHLBank members expect, the repurchase of excess stock at par value. To protect the par value of its stock, an FHLBank should monitor and manage risk to ensure it does not go outside appropriate

limits. Also, as cooperatives, the FHLBanks can distribute the benefits of membership either through low prices or high dividends. It is important to evaluate the strategic plan in light of the particular operating strategy chosen by the FHLBank.

The strategic plan should be consistent with the board's tolerance for risk and focus on the FHLBank's core mission activities. The strategic plan can assist in (a) assessing an FHLBank's proposed future financial returns relative to its risks, (b) assuring the FHLBank is using its capital and human resources efficiently, and (c) benchmarking the financial progress of an FHLBank relative to plan.

Strategic planning was part of a review of the effectiveness of board governance at the FHLBanks. Effective practices observed during the review included:

- 1) Surveying directors concerning strategic issues;
- 2) Holding off-site meetings of directors for the sole purpose of strategic planning;
- 3) Conducting a comprehensive risk/reward analysis before engaging in new activities;
- 4) Incorporating scenario analysis into strategic planning, including base-, best-, and worst-case scenarios; and
- 5) Preparing periodic board reports comparing actual performance to plan and explaining variances.

Issues Specific to the Enterprises

Both Fannie Mae and Freddie Mac were placed into conservatorship in September, 2008. FHFA, as conservator of Fannie Mae and Freddie Mac, succeeded to all "rights, titles, powers, and privileges" and assets of each company, and all "rights, titles, powers, and privileges" of any director, officer, or stockholder of either company. As conservator, FHFA has the statutory authority and responsibility to preserve and conserve the assets of the Enterprises and to take necessary action to put them in a safe and sound condition. In November 2008, FHFA delegated general management responsibility back to the boards of each company through FHFA Order 2008-006. FHFA provided instructions to the Enterprises' boards of directors via a letter on November 24, 2008 that made exceptions to the Order and expressly required conservator review or approval of specific items. FHFA issued a revised letter of instruction to the Enterprises on November 15, 2012 to revise and refine specific matters. FHFA retains the right to require agency review and approval or clearance of any action that is otherwise within the board's delegated authority.

In overseeing the operations of the Enterprises in conservatorship, FHFA also seeks to promote the stability and liquidity of the secondary mortgage market through the Enterprises' existing core business activities. Consistent with the terms of the Preferred Stock Purchase Agreement, as amended (PSPA), and incorporated in FHFA's strategic plan, FHFA, as conservator, also seeks to gradually wind down Enterprise activities, with

the intention of creating greater opportunity for private capital to operate in and provide financing to the secondary mortgage market.

The PSPA with each company, to which FHFA as conservator is a party with the Treasury Department, requires Treasury Department approval for certain matters for which an Enterprise may seek conservator approval. As conservator, FHFA has the responsibility to interpret on behalf of the Enterprises the terms of the PSPA and of the delegations to the boards.

Under conservatorship, the boards remain responsible for ensuring appropriate strategic plans are in place. However, FHFA as conservator provides direction regarding permissible activities, changes needed to build a sustainable secondary market platform for the future, and alignment of the corporate structure to manage business in an efficient and cost-appropriate manner. Under conservatorship, FHFA as conservator works with and through the boards of directors of each Enterprise to align strategic goals. Successful implementation of the goals is measured through management scorecards overseen by the board of directors and approved by FHFA

Examination Guidance

The workprogram for the Strategic Planning examination module is detailed below. If this module is included in the examination scope, the examiner must perform worksteps sufficient in coverage to document the basis for conclusions on the quantity of risk and quality of risk management pertaining to this area. Transaction testing is mandatory and the examiner must document sufficient worksteps from Section 4, *Testing*, to support the findings and conclusions from this examination module.

In determining the extent of review and testing to be conducted in completing each examination, the examiner should take into account applicable FHFA off-site monitoring or analysis reports, such as analyses of the quality and effectiveness of corporate governance practices, financial condition and performance, economic and housing industry conditions, internal controls, and audit coverage relating to the institution's strategic planning activities.

NOTE: Text in *(italics)* referenced in a workstep represents illustrative guidance that serves as suggestions for specific inquiry.

1. Scope of Examination Work Performed

- 1) Review past reports of examination for outstanding issues or previous problems related to strategic planning.
- 2) Review applicable FHFA off-site monitoring or analysis reports, and workpapers produced as part of ongoing monitoring, related to strategic planning.
- 3) Assess the status of outstanding Matters Requiring Attention and Violations pertaining to strategic planning.
- 4) Review internal audit reports for outstanding issues relating to strategic planning.
- 5) Review minutes of meetings of the board of directors and relevant board and management committees for any issues regarding strategic planning.
- 6) Establish the scope of the work to be performed in the strategic planning area through a preliminary review of the regulated entity's strategic plan, ongoing reporting, and monitoring activities associated with achieving established goals. Consider changes to the institution's planning process and responses to previous concerns.
- 7) Evaluate work completed by other offices within FHFA related to the institution's plan development and monitoring of the regulated entity's efforts to achieve stated goals. Develop a memorandum outlining the scope of the examination of strategic planning and include modifications to the scope based on issues identified during the examination.

Summarize the work performed in the examination of the institution's strategic planning area. To the extent there were modifications to the originally planned scope based on concerns identified during the examination, document those changes and the reasons for such changes.

2. Description of Risks

- 1) Review past reports for outstanding issues or previous problems. Consider the following:
 - a) Prior regulatory reports of examination and workpapers with respect to: (1) governance; (2) strategic planning; (3) operating performance; and (4) financial

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- condition and performance.
 - b) Prior reviews and correspondence.
 - c) Internal and external audit reports.
 - d) Current year strategic plan and budget.
 - e) Actual versus budget from prior business plans.
 - f) For the Enterprises, effectiveness of post-mortem analyses and their use in formulating future business plans.
- 2) Review minutes of meetings of the board of directors and relevant board and management committees. (*Is the board actively engaged in providing goals and objectives?*)
 - 3) Review management's responses to previous examination findings, continuous supervision, internal audits, and external audits. (*Are corrective actions adequate and timely?*)
 - 4) Identify and assess any changes in the economy, capital markets, regulatory environment, or financial services industry that might affect future earnings. For the Enterprises this would include their ability to carry out incentives related to the recovery of the housing and housing finance markets.

3. Risk Management

Risk Identification Process

- 1) Assess the adequacy of the strategic plan's narrative, key assumptions, and risk assessment. (*Is the strategic plan a realistic document that provides a meaningful assessment of the challenges the regulated entity faces and how it will address those challenges? Does it adequately explain key trends and assumptions?*)
- 2) Determine the extent to which the strategic plan includes an assessment of the regulated entity's current financial condition and risk level. (*Does the strategic plan include an evaluation of the entity's strengths, weaknesses, opportunities, and threats?*)
- 3) Assess whether the strategic plan clearly defines realistic financial and operational goals and broad risk limits that are consistent with the regulated entity's mission.

Organizational Structure

- 1) Interview key personnel, which may include the senior management, staff member in charge of planning, staff member in charge of modeling, and other staff as required to

determine:

- a) Timeline for development of the strategic plan;
 - b) Circumstances that might trigger updates/revisions to the strategic plan;
 - c) When senior management and the board of directors will formally review the strategic plan; and
 - d) Date the board of directors approved the plan and when it became effective.
- 2) Interview key personnel, which may include senior management, staff member in charge of planning, and other regulated entity staff, to determine how the strategic plan is used by senior management and the board of directors. Potential uses could include, among other things: (a) benchmarking regulated entity operating performance, (b) determining incentive compensation for senior management, and (c) evaluating strategic initiatives of the regulated entity.
 - 3) Develop a general understanding of the process by which the key inputs to the strategic plan are developed including: (a) who developed key assumptions, and (b) how key assumptions were developed.

Policy and Procedure Development

- 1) Review any relevant policies, such as retained earnings and dividend policies, to determine whether the strategic plan aligns with these policies.

Risk Metrics

- 1) Compare the regulated entity's strategic business plan for compliance and consistency with internal standards for the organization. Conclude on the adequacy of these standards.
- 2) Determine if the strategic plan establishes risk metrics intended to ensure safe and sound performance. *(Are the metrics appropriate? Do the metrics reflect the regulated entity's risk appetite established by the board of directors? Does the regulated entity prepare ongoing reporting comparing actual results to the goals established in the plan?)*

Reporting

- 1) Review minutes of meetings of the board of directors and relevant board and management committees and other relevant internal documents, minutes of the financial operating committee, etc. to determine whether the strategic plan is referenced or discussed, and in what context.
- 2) Determine that the plan was approved by the board of directors and the board

approves any subsequent changes to the plan. *(If any changes were made to the strategic plan, were the changes fully supported with sufficient analysis?)*

- 3) Determine whether the plan is widely disseminated throughout the regulated entity.

Internal/External Audit

- 1) Evaluate the adequacy of the scope, testing, and workpapers completed by internal audit with respect to the strategic plan.
- 2) Evaluate the adequacy of the scope and testing completed by external audit and determine the status of corrective actions for findings.

Information Technology

- 1) Evaluate the modeling software and other computer systems used to create and update risk metrics found in the strategic plan.

Compliance

- 1) For the Enterprises, assess whether the strategic plan encompasses the broad elements contained in 12 CFR 1710.15(b)(1) and the more detailed requirements of 12 CFR 1720.2(B) II (i), (ii), (iii) with respect to growth, funding, and changes in risk.
- 2) For the FHLBanks, assess compliance with Section 917.5 and Advisory Bulletin 10-02.
- 3) For all regulated entities, assess compliance with the PMOS standards in 12 CFR 1236. Specifically, address Appendix Item 1 (Responsibilities of the Board of Directors); and compliance with Standard 1 (Internal Controls and Information Systems), which includes the requirement that the board of directors should approve and periodically review the regulated entity's overall business strategies and significant policies.
- 4) For FHLBanks, evaluate the effectiveness of the annual risk assessment required by 12 CFR 917.3(c) and determine if it reasonably identifies and evaluates all material risks, both quantitative and qualitative aspects, of the strategic planning activities. Investigate any action plans arising from the assessment and check corrective actions for effectiveness.

4. Testing

- 1) Determine the extent to which the strategic plan is a self-contained document.
- 2) Assess whether the strategic plan includes sufficient financial detail to allow senior management and the board of directors to benchmark the financial progress of the regulated entity relative to the strategic plan.
- 3) Assess the adequacy of alternative scenarios and risk assessments. (*Are the scenarios based on realistic assumptions?*)
- 4) Review the reasonableness of the strategic plan and budget and consistency with the regulated entity's stated mission and goals, including consideration of the following:
 - a) Assess whether the strategic plan projections include a sufficiently detailed balance sheet, income statement, and listing of key financial ratios for each year of the planning horizon.
 - b) Review the key financial ratios for reasonableness for the projection period such as the leverage ratio, return on asset (ROA) ratio, return on equity (ROE) ratio, net interest spread, and net interest spread by business line (asset class).
 - c) Assess whether the narrative included in the strategic plan is sufficient to explain key trends and assumptions included in the strategic plan. Particular attention should be paid to the narrative regarding strategic initiatives or changes in strategy.
 - d) Review the scenario analyses included in the strategic plan. Determine whether the strategic plan includes both: (1) interest-rate sensitivities, and (2) operational sensitivities for key assumptions such as mortgages, advances at FHLBanks, and investments.
- 5) Review the key inputs used to develop the strategic plan including, among other things:
 - a) Change in volumes of key business lines (asset categories), including advances, investments, and mortgages;
 - b) Change in liabilities;
 - c) Operating costs;
 - d) Net spreads of key asset categories;
 - e) Changes in capital. For the FHLBanks, growth of retained earnings; and
 - f) Projected dividend rates for the FHLBanks.

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- 6) Determine whether the projected balance sheet and income statement are produced according to GAAP. If not, determine the standard to which the projected financial statements are produced by interviewing staff. (*Are financial projections based on end-of-period financial statements?*)
 - 7) For the Enterprises, in coordination with the Office of Conservatorship Operations, review the regulated entity's strategic plan to determine if the strategic goals established by the Conservator have been addressed in a satisfactory manner. (*What steps have been outlined for establishing a single securitization platform? Does the strategic plan include realistic scenarios and analyses for contracting enterprise operations? Does the strategic plan outline efforts that will be taken to maintain credit availability and foreclosure prevention?*)

5. Conclusions

- 1) Summarize conclusions for all examination work performed, including work performed by other FHFA staff as it relates to the regulated entity's strategic planning function. Develop a memorandum describing the risks to the institution resulting from the strategic planning practices and the regulated entity's management of those risks. The memorandum should describe the basis of conclusions reached and summarize the analysis completed. Within the memorandum, discuss the types of risk to which the regulated entity is exposed (e.g., market, credit, operational); the level of risk exposure; the direction of risk (stable, decreasing, increasing); and the quality of risk management practices (strong, adequate, weak). A memorandum must be prepared irrespective of whether the examiner's assessment is positive or negative.
- 2) Conclude on the responsiveness to previous examination findings. Evaluate the adequacy of the regulated entity's response to previous examination findings and concerns.
- 3) Develop examination findings and prepare findings memoranda, as appropriate. Based on examination work performed, develop findings communicating concerns identified during the examination. Findings should identify the most significant risks to the institution and the potential effect to the regulated entity resulting from the concerns identified. Memoranda should describe a remediation plan specifying the appropriate corrective action to address examination concerns and establish a reasonable deadline for the regulated entity to remediate the finding. Communicate preliminary findings to the EIC. Discuss examination findings with regulated entity personnel to ensure the findings and analysis are free of factual errors.
- 4) Develop a list of follow-up items to evaluate during the next annual examination. In addition to findings developed in the steps above, include concerns noted during the

examination that do not rise to the level of a finding. Potential concerns include issues the regulated entity is in the process of addressing, but require follow-up work to ensure actions are completed appropriately. In addition, potential concerns should include anticipated changes to the institution's practices or anticipated external changes that could affect the institution's future oversight of strategic planning practices.

Workprogram

1. Scope of Examination Work Performed

Workpapers must document the examination activities undertaken to evaluate potential risks related to strategic planning.

2. Description of Risks

- Identify areas of concern related to strategic planning
- Assess current risks and trends in the risks to the institution related to strategic planning
- Evaluate changes within the institution or industry affecting risk
- Evaluate the entity's own risk-identification practices and conclude on their adequacy

3. Risk Management

- Assess and conclude on the adequacy of the institution's risk identification process
- Assess and conclude on the overall adequacy of internal controls, including an evaluation of:
 - The regulated entity's organizational structure
 - Policy and procedure development for this area
 - Appropriateness of risk metrics established in this area
 - Reporting by management and the board
- Assess and conclude on the internal and external audit of risks
- Assess and conclude on the adequacy of information technology and controls related to strategic planning
- Assess and conclude on the adequacy of the institution's efforts to ensure:
 - Compliance with laws, regulations and other supervisory guidance
 - Compliance with the institution's policies and procedures

4. Testing

- Complete testing, as appropriate, to assess adherence with applicable standards

5. Conclusions

- Summarize conclusions for all examination work performed related to strategic planning
 - Conclude on the level of risk to the organization
 - Include an assessment of the adequacy of an institution's monitoring of risk and establishment of internal controls to mitigate risk
- Conclude on responsiveness to examination findings from previous examinations
- Develop examination findings, as appropriate
- Identify areas requiring follow-up examination activities or monitoring