

V. Corporate Management Control

The FDIC uses several means to maintain comprehensive internal controls, ensure the overall effectiveness and efficiency of operations, and otherwise comply as necessary with the following federal standards, among others:

- ◆ Chief Financial Officers' Act (CFO Act)
- ◆ Federal Managers' Financial Integrity Act (FMFIA)
- ◆ Federal Financial Management Improvement Act (FFMIA)
- ◆ Government Performance and Results Act (GPRA)
- ◆ Federal Information Security Management Act (FISMA)
- ◆ OMB Circular A-123
- ◆ GAO's Standards for Internal Control in the Federal Government

As a foundation for these efforts, the Corporate Management Control Branch in DOF [formerly the Office of Enterprise Risk Management (OERM)]

traditionally has overseen a corporate-wide program of relevant activities by establishing policies and working with management in each division and office in the FDIC. The FDIC has made a concerted effort to ensure that operational risks have been identified and that corresponding control needs are being incorporated into day-to-day operations. The program also requires that comprehensive procedures be documented, employees be thoroughly trained, and supervisors be held accountable for performance and results. Compliance monitoring is carried out through periodic management reviews and by the distribution of various activity reports to all levels of management. Conscientious attention is also paid to the implementation of audit recommendations made by the FDIC Office of the Inspector General, the GAO, the Treasury Department's Special Inspector General for the TARP program, and other providers of external/audit scrutiny. The FDIC has received unmodified/unqualified

opinions on its financial statement audits for 21 consecutive years, and these and other positive results reflect the effectiveness of the overall management control program.

Significantly, since the beginning of the financial crisis, the FDIC expanded the range of issues receiving close management scrutiny to encompass crisis-related challenges. As the severity of the crisis has subsided over the past two years, the focus of controls has shifted, specifically to encompass downsizing activities and the transfer of workloads due to the closing of temporary offices.

We are developing plans for 2013 and beyond to ensure the continuation of a smooth transition of operations as we move toward a post-crisis operating environment. Among other things, program evaluation activities in the coming year will focus not only on new responsibilities associated with the Dodd-Frank Act and other internal organizational changes, but on the closing of additional temporary

satellite offices and the downsizing of staffing in general. Continued emphasis and management scrutiny also will be applied to contracting oversight, the accuracy and integrity of transactions, the expansion of performance metrics, and oversight of systems development efforts in general.

MANAGEMENT REPORT ON FINAL ACTIONS

As required under amended Section 5 of the Inspector General Act of 1978, the FDIC must report information on final action taken by management on certain audit reports. The tables

on the following pages provide information on final action taken by management on audit reports for the federal fiscal year period October 1, 2011, through September 30, 2012.

**TABLE 1:
MANAGEMENT REPORT ON FINAL ACTION ON AUDITS WITH DISALLOWED COSTS
FOR FISCAL YEAR 2012
Dollars in Thousands**

	Audit Reports	Number of Reports	Disallowed Costs
A.	Management decisions – final action not taken at beginning of period	2	\$31,476
B.	Management decisions made during the period	6	\$30,683
C.	Total reports pending final action during the period (A and B)	8	\$62,159
	Final action taken during the period:		
	1. Recoveries:		
	(a) Collections & offsets	7	\$37,971
	(b) Other	0	\$0
	2. Write-offs	3	\$23,460
	3. Total of 1 & 2	7 ¹	\$61,431 ²
E.	Audit reports needing final action at the end of the period	2 ³	\$3,794

¹ Three reports have both collections and write-offs, thus the total of 1(a), 1(b), and 2 is seven.

² Amount collected in D3 included excess recoveries of \$2.8 million not reflected in line E.

³ One report had a recovery, however, one recommendation remains open; thus, the number of reports needing final action is two.

**TABLE 2:
MANAGEMENT REPORT ON FINAL ACTION ON AUDITS WITH RECOMMENDATIONS
TO PUT FUNDS TO BETTER USE FOR FISCAL YEAR 2012
Dollars in Thousands**

Audit Reports		Number of Reports	Funds Put To Better Use
A.	Management decisions – final action not taken at beginning of period	0	\$0
B.	Management decisions made during the period	0	\$0
C.	Total reports pending final action during the period (A and B)	0	\$0
Final action taken during the period:			
	1. Value of recommendations implemented (completed)	0	\$0
D.	2. Value of recommendations that management concluded should not or could not be implemented or completed	0	\$0
	3. Total of 1 and 2	0	\$0
E.	Audit reports needing final action at the end of the period	0	\$0

**TABLE 3:
AUDIT REPORTS WITHOUT FINAL ACTIONS BUT WITH MANAGEMENT DECISIONS
OVER ONE YEAR OLD FOR FISCAL YEAR 2012
MANAGEMENT ACTION IN PROCESS**

Report No. and Issue Date	OIG Audit Finding	Management Action	Disallowed Costs
EVAL-11-006 09/30/2011	OIG recommends that the FDIC, FRB, and OCC agency heads review the matters for consideration presented in this report and work through the Financial Stability Oversight Council to determine whether the Prompt Regulatory Action legislation or implementing regulations should be modified. As a recap, FDIC should increase the minimum Prompt Corrective Action (PCA) capital levels, and continue to refine the deposit insurance system for banks with assets under \$10 billion to assess greater premiums commensurate with risk-taking.	<p>A working group is reviewing PGA and other tools in consultation with stakeholders to identify non-capital indicators of potential problems and opportunities for early supervisory intervention. The working group's analysis will be presented to Executive Management for review and consideration.</p> <p>Expected completion date: March 31, 2012</p> <p>FDIC will evaluate comments on the agencies notices of proposed rulemaking that would revise and replace the agencies' current capital rules along with considering modifications to the PCA capital triggers as well as other potential changes designed to strengthen the PCA framework.</p> <p>Expected completion date: June 30, 2013</p>	\$0