

Appendix I



Federal Deposit Insurance Corporation

550 17th St. NW Washington DC, 20429

Deputy to the Chairman & Chief Financial Officer

February 7, 2005

Mr. David M. Walker
Comptroller General of the United States
U. S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

**Re: FDIC Management Response on the
GAO 2004 Financial Statements Audit Report**

Dear Mr. Walker:

Thank you for the opportunity to comment on the U.S. Government Accountability Office's (GAO) draft audit report titled, **Financial Audit: Federal Deposit Insurance Corporation Funds' 2004 and 2003 Financial Statements**, GAO-05-281. The report presents GAO's opinions on the calendar year 2004 financial statements of the Bank Insurance Fund (BIF), the Savings Association Insurance Fund (SAIF), and the Federal Savings and Loan Insurance Corporation Resolution Fund (FRF). The report also presents GAO's opinion on the effectiveness of FDIC's internal controls as of December 31, 2004, and GAO's evaluation of FDIC's compliance with applicable laws and regulations.

We are pleased to accept GAO's unqualified opinions on the BIF, SAIF, and FRF financial statements and to note that there were no material weaknesses identified during the 2004 audits. The GAO reported that the funds' financial statements were presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles; FDIC had effective internal control over financial reporting and compliance with laws and regulations; and there were no instances of noncompliance with laws and regulations that were tested.

Also, we are pleased that GAO recognized the significant improvements that have been made during the past year and acknowledged our progress in fully implementing a comprehensive information security (IS) program. As always, management is committed to ensuring the continued success of an effective and strong IS program. We will remain focused on accomplishing the work needed to face the new security challenges in the coming year.

If you have any questions or concerns, please let me know.

Sincerely,

A handwritten signature in black ink that reads "Steven O. App".

Steven O. App
Deputy to the Chairman and Chief Financial Officer