

## 5. 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 coordinating on an ongoing basis with parallel management control units in each Division and Office in the FDIC. Broadly speaking, a coordinated effort has been made to ensure that operational risks have been identified, with corresponding control needs being incorporated into day-to-day operations. The program also imposes the need for comprehensive procedures to be documented, employees to be thoroughly trained and supervisors to 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 unqualified (clean) opinions on its financial statement audits for twenty consecutive years, and these and other positive results are reflective of the effectiveness of the overall management control program.

Significantly, since the beginning of the financial crisis, the FDIC has expanded the range of issues receiving close management scrutiny to encompass crisis-related challenges. Several Program Management Organizations (PMOs) were created to oversee such issues as shared-loss agreements, legacy loans, systemic resolution authority, the Temporary Liquidity Guarantee Program, contract management oversight, and resource management. For each area, key issues and risks were identified, action plans and performance metrics were developed as necessary, and the Chairman was briefed at least monthly. In many cases, enhancements in operating procedures and automated systems of support were made as a direct result of this heightened management attention. Particular attention also was given to the training needs of the FDIC's expanded staff, to include training in supervisory skills, to help ensure the continuation of effective operations and results.

Similar plans for 2012 and beyond have been developed to ensure 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 legislation and other internal organizational changes, but on the closing of 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, and 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, 2010, through September 30, 2011.

**Table 1: Management Report on Final Action on Audits with Disallowed Costs for Fiscal Year 2011**  
DOLLARS IN THOUSANDS

	AUDIT REPORTS	NUMBER OF REPORTS	DISALLOWED COSTS
A.	Management decisions – final action not taken at beginning of period	2	\$25,148
B.	Management decisions made during the period	4	\$42,801
<b>C.</b>	<b>Total reports pending final action during the period (A and B)</b>	<b>6</b>	<b>\$67,949</b>
	Final action taken during the period:		
	1. Recoveries:		
	(a) Collections & offsets	5	\$37,605
	(b) Other	0	\$0
	2. Write-offs	3	\$3,987
	<b>3. Total of 1(a), 1(b), &amp; 2</b>	<b>5<sup>1</sup></b>	<b>\$41,592</b>
E.	Audit reports needing final action at the end of the period	2	\$31,475 <sup>2</sup>

<sup>1</sup> Three reports have both collections and write-offs, thus the total of 1(a), 1(b), and 2 is five.

<sup>2</sup> Amount collected in D3 included excess recoveries of \$2.6 million not reflected in line E.

**Table 2: Management Report on Final Action on Audits with Recommendations to Put Funds to Better Use for Fiscal Year 2011**

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	1	\$2,509
<b>C.</b>	<b>Total reports pending final action during the period (A and B)</b>	<b>1</b>	<b>\$2,509</b>
	Final action taken during the period:		
	1. Value of recommendations implemented (completed)	1	\$43
D.	2. Value of recommendations that management concluded should not or could not be implemented or completed	1	\$2,466
	<b>3. Total of 1 and 2</b>	<b>1<sup>3</sup></b>	<b>\$2,509</b>
E.	Audit reports needing final action at the end of the period	0	\$0

<sup>3</sup> One report had both implemented and unimplemented values.**Table 3: Audit Reports Without Final Actions But With Management Decisions Over One Year Old for Fiscal Year 2011 Management Action in Process**

REPORT NO. AND ISSUE DATE	OIG AUDIT FINDING	MANAGEMENT ACTION	DISALLOWED COSTS
AUD-11-001 11/30/2010	KPMG recommends that the FDIC should complete the design and implementation of an agency-wide continuous monitoring program that addresses continuous monitoring strategies for FDIC information systems.	<p>During 2011, the FDIC completed the design of the agency-wide continuous monitoring program and made significant progress in implementing that program. The Office of Inspector General's Federal Information Security Management Act (FISMA) results confirmed that, "the FDIC made meaningful progress in developing an agency-wide continuous monitoring program."</p> <p>In addition, the OIG 2011 FISMA report further stated that the OIG was not issuing any new recommendations in the area of continuous monitoring management because, "the FDIC was working to fully implement a multi-year effort to address a recommendation in our prior-year security evaluation report required by FISMA." The OIG will re-evaluate progress on the implementation of this program during the 2012 FISMA evaluation.</p> <p>Expected completion date: December 2012</p>	\$0