The Independent Audit and Evaluation Oversight Function at the FDIC

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Oversight from Audits and Evaluations
The concept of the IG was first introduced in the military. During the American Revolution, the Congress created an IG of the Continental Army to independently review the combat readiness of the troops.

Today, there are 75 IGs in the Federal government. Most of these IGs work in the executive branch.

Each IG heads a permanent, nonpartisan, and independent office within their department or agency.

The vast majority of Federal IGs are governed by the Inspector General Act of 1978, as amended (the IG Act).
The mission of Federal IGs is to:

- Conduct independent and objective audits, investigations, and inspections/evaluations;
- Prevent and detect waste, fraud, and abuse;
- Promote economy, effectiveness, and efficiency;
- Review pending legislation and regulations; and
- Keep the agency head and Congress fully and currently informed.

IGs serve under the general supervision of the agency head, or the agency head’s deputy (if delegated by the agency head). However, neither the agency head nor the deputy can prevent or prohibit the IG from conducting an audit or investigation.

IGs have a dual and independent reporting relationship to the agency head and the Congress.
IG Reporting Requirements

- IGs issue a variety of written reports, such as:
  - Audit and inspection/evaluation reports prepared in accordance with professional standards;
  - Immediate correspondence to the agency head to report egregious and flagrant problems and/or abuses. Agency heads must transmit such reports, along with any comments by the agency head, to the Congress within 7 days.
  - Semiannual reports to the Congress that describe the work of the IG within the reporting period; and

- IGs must also report to the agency head and Congress on any unreasonable refusal within the agency to provide information.
Interagency Coordination

- In the years following the passage of the IG Act, a number of interagency bodies have been established to promote coordination among Federal IGs.

- In 2008, the Congress established the Council of Inspectors General on Integrity and Efficiency (CIGIE) as an independent entity within the executive branch. CIGIE’s mission is to:
  
  * Address integrity, economy, and effectiveness issues that transcend individual Government agencies; and
  
  * Increase the professionalism and effectiveness of personnel by developing policies, standards, and approaches to aid in the establishment of a well-trained and highly skilled IG workforce.
Our Goals

- Public service.

- Make the FDIC better – prompt and encourage improvements and efficiencies and challenge status quo.
  
  ★ Make A Difference. Value Add.

  ★ Analyze data and develop findings.

  ★ Make insightful recommendations.

  ★ Follow-up on implementation.
Values

★ Integrity
★ Accountability
★ Independence
★ Transparency
★ Accuracy

★ Professionalism
★ Fairness
★ Judgment
★ Objectivity
Annual Planning

Top Management and Performance Challenges (TMPCs)
We use the Top Management and Performance Challenges (TMPCs) as a means to identify and prioritize work included in our annual assignment plan.

* In our view, the TMPCs provide a risk-based framework for identifying work and help staff understand the significance of issue areas and communicate the why when we start assignments.

Certain assignments are required by statute (i.e., Federal Information Security Management Assessment or Material Loss Reviews) or may be requested.

We also solicit input from staff and External Stakeholders to identify potential work and maintain an inventory of assignment ideas.
Soliciting Stakeholder Input

- Coordination with Congressional Oversight Committees
- Meetings with the FDIC Chairman
- Audit Committee Briefings
- Quarterly Meetings with FDIC Division and Office Directors
- Coordination with GAO
- Coordination with other Federal Banking Regulatory IGs
As required under the Reports Consolidation Act of 2000, the OIG identifies the TMPC facing the FDIC and provides its assessment to the Corporation for inclusion in the FDIC’s annual performance and accountability report.

We also separately issue our report on the TMPCs that is available on the OIG website and Oversight.gov.

The TMPC provides an opportunity for us to provide an independent perspective of challenges the FDIC is facing.

In the last several years, we have shifted our approach to focus on forward-looking risk facing the FDIC and broadened our perspective beyond our own work and observations by researching what others like GAO and the other federal banking regulatory IGs are finding/reporting, as well as reviewing academic and other relevant literature. This research allows us to better understand nature of the challenge, associated risks, and actions being taken to meet these challenges beyond the FDIC.
2020 TMPC Report

Challenges Added in 2020
- Ensuring Readiness in a Pandemic Environment;
- Supporting Diversity in Banking

Challenges to IT and Security
- Mitigating Cybersecurity Risks in the Banking Sector
- Improving IT Security Within the FDIC
- Securing FDIC Personnel, Facilities, and Information
- Augmenting the FDIC’s Sharing of Threat Information

Challenges to Significant Internal Operations
- Ensuring and Aligning Strong Governance at the FDIC
- Managing Human Resources and Planning for the Future Workforce
- Overseeing Contracts and Managing Supply Chain Risk
- Enhancing Rulemaking at the FDIC
CIGIE TMPCs

- CIGIE summarizes top challenges that were identified by Federal IGs as part of their recent top challenges reports. The resulting top challenges are as follows:

  - Information Technology Security and Management (73 percent of respondents)
  - Human Capital Management (50 percent)
  - Financial Management (48 percent)
  - Homeland Security, Disaster Preparedness, and COVID-19 (47 percent)
  - Procurement Management (43 percent)
  - Grant Management (43 percent)
  - Performance Management and Accountability (42 percent)
Standards Guiding Work

Yellow Book ◆ Blue Book ◆ Silver Book
The Yellow Book provide a framework for performing high-quality audit work with competence, integrity, objectivity, and independence to provide accountability and to help improve government operations and services.

These standards, commonly referred to as generally accepted government auditing standards (GAGAS), provide the foundation for government auditors to lead by example in the areas of independence, transparency, accountability, and quality through the audit process.
CIGIE's Blue Book

- The Quality Standards for Inspection and Evaluation (Blue Book) has long provided a solid framework for inspection and evaluation (I&E) work by Offices of Inspector General (OIG).

- Inspections and evaluations are systematic and independent assessments of the design, implementation, and results of operations, programs, or policies.

- The Blue Book provides OIGs with a flexible and effective mechanism for oversight and empowers our inspection, evaluation, and multidisciplinary staff to produce timely, credible reports to improve agency operations.
CIGIE’s Silver Book

- Contains quality standards for the management, operation, and conduct of the Federal Offices of Inspector General (OIG).

- The members of CIGIE have formulated and adopted these standards to guide the conduct of official duties in a professional manner.

- These standards incorporate by reference the existing professional standards for audit, investigation, and inspection and evaluation efforts.
Agile Product Toolkit

- Created to aid federal OIGs, state, and local agencies that conduct quick reviews as part of their duties to provide expeditious oversight of federal funds.
- The American public and Congress have expressed a desire for more expedient and transparent oversight from OIGs, which was intensified given the challenges brought on by the COVID-19 pandemic.
- This toolkit focuses on agile products to help agency management and other key stakeholders increase transparency around emergent concerns, such as the disbursement of federal funds.
Foundation of Standards

- **Integrity** is the cornerstone. Objectivity, independence, professional judgment, and confidentiality are all elements of integrity.

- **Objectivity** imposes the obligation to be impartial, intellectually honest, and free of conflicts of interest.
- **Independence** is a critical element of objectivity. Without independence, both in fact and in appearance, objectivity is impaired.
- **Professional judgment** requires working with competence and diligence. Competence is a combination of education and experience and involves a commitment to learning and professional improvement. Professional standards for audits, investigations, and inspections and evaluations require continuing professional education.
- **Confidentiality** requires respecting the value and ownership of privileged, sensitive, or classified information received and protecting that information, and safeguarding the identity of confidential informants. In some instances, legal or professional obligations may require an OIG to disclose information it has received.
Factors that impact our decision on which standards to follow –

- Legislative requirements sometimes dictate standards we need to follow
- We make a decision on which standards we will follow when we initiate an assignment.

FLEXIBILITY
Assignment Management Process

Audits ◆ Evaluations ◆ Agile Projects
Quality Assurance Process

- Assignment Management Framework
- Day-to-Day Supervision
- Referencing Process
- Internal Quality Control Reviews
- Audit and Evaluation Functions Subject to External Peer Review Every 3 Years
Assignment Phases

Planning
Fieldwork
Reporting
Field Work

Data Gathering & Analysis
- Interviews
- Document Reviews
- Testing and Verification
- Discussing Results
- Developing Elements of a Finding
Who is our Audience?

- Policymakers. Dual Reporting Chain through the IG Act - FDIC Chairman and Congress.
- Program Implementers.
- American public.

What are the key components of an audit or evaluation report?

- Objective, Scope, Methodology
- Findings
- Recommendations
- Management’s Response
What are agile products?

- Agile products can come in many forms.

- Primarily, agile products highlight issues requiring immediate action for oversight officials or Congressional stakeholders and others who have requested reviews of high-risk areas.

- Additionally, agile products can inform, without requiring actions, by providing transparency and ensuring key agency leadership, affected stakeholders, and the public have access to information more quickly.
Report Distribution

- FDIC Chairman
- FDIC Board
- Audit Committee
- Program Officials
- FDIC’s Office of Risk Management and Internal Controls
- External Stakeholders
  - Congressional Oversight Committees
  - Media
  - American Public (FDIC OIG External Website & CIGIE’s Oversight.gov)
Low Impact

- Low impact in terms of conducting work – documentation review can be done remotely.

- Building data analytics capabilities to better target requests.

- Collaboration continues internally and externally.

- One downside we share with everyone “Teams” Fatigue”

- But collaboration important both internally and externally.
  - Building good working relationships is important to our success.
Reports and Other Products

Value Added
## Recent Highlights

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Data as of Sept 20, 2021
Recent Highlights - Agile

- Failed Bank Reviews
  - Failed Bank Review, The First State Bank, Barboursville, West Virginia (FBR-21-001)
  - Failed Bank Review, First City Bank of Florida, Fort Walton Beach, Florida (FBR-21-002)
  - Failed Bank Review, Almena State Bank, Almena, Kansas (FBR-21-003)

- AEC Memorandum
  - The FDIC’s Management of Employee Talent (AEC Memorandum 21-002)
    - This memo includes 3 recommendations.
  - Concerns Related to the FDIC’s Pending Authorization to Operate Its External Wireless Network Solution Cloud Service (AEC Memorandum 21-001)
Questions and Answers