Why GAO Did This Study

Created in 1933 to insure bank deposits and promote sound banking practices, FDIC plays an important role in maintaining public confidence in the nation’s financial system. FDIC administers the DIF, which protects bank and savings deposits, and the FRF, which was created to close out the business of the former Federal Savings and Loan Insurance Corporation (FSLIC).

GAO annually audits the financial statements of the DIF and of the FRF pursuant to Section 17 of the Federal Deposit Insurance Act, as amended, and the Government Corporation Control Act. GAO is responsible for obtaining reasonable assurance about whether (1) FDIC’s financial statements for the DIF and for the FRF are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles; (2) FDIC maintained effective internal control over financial reporting; and (3) there are any reportable instances of noncompliance with tested provisions of applicable laws, regulations, contracts, and grant agreements.

What GAO Recommends

GAO is not making recommendations in this report. In commenting on a draft of this report, FDIC stated that it recognizes the important role a strong internal control program plays in achieving the agency’s mission, and its dedication to establishing sound financial management has been and will remain a top priority.

What GAO Found

In GAO’s opinion, the Federal Deposit Insurance Corporation (FDIC) fairly presented, in all material respects, the 2014 and 2013 financial statements for the two funds it administers—the Deposit Insurance Fund (DIF) and the FSLIC Resolution Fund (FRF). Also, in GAO’s opinion, FDIC maintained, in all material respects, effective internal control over financial reporting relevant to the DIF and to the FRF as of December 31, 2014. Further, GAO did not find any reportable instances of noncompliance with provisions of applicable laws, regulations, contracts, and grant agreements it tested.

The banking industry continued to improve in 2014 as discussed in note 7 to the DIF’s financial statements. During 2014, 18 insured institutions with combined assets of $2.9 billion failed. The losses to the DIF from failures that occurred in 2014 were lower than the amount accrued at the end of 2013, as the aggregate number and size of institution failures in 2014—and their estimated cost to the DIF—were less than anticipated. However, the DIF’s contingent liability for anticipated failures increased from $1.2 billion at December 31, 2013, to $1.8 billion at December 31, 2014, due to the increase in the exposure to loss from certain troubled institutions. As discussed in note 17 to the DIF’s financial statements, through February 5, 2015, 2 institutions have failed thus far during 2015.

The financial condition of the DIF also improved in 2014. As of December 31, 2014, the DIF had a fund balance of $62.8 billion, compared to a fund balance of $47.2 billion at December 31, 2013. The DIF’s ratio of reserves to estimated insured deposits as of September 30, 2014, was 0.89 percent, compared to 0.79 percent at December 31, 2013. This improvement was primarily attributable to revenue earned in 2014 and, as noted above, lower losses from failed institutions than estimated at December 31, 2013, and lower estimated losses for institutions that failed in prior years. FDIC’s long-range plan is to maintain the reserve ratio at a minimum 2 percent.