U.S. GOVERNMENT ACCOUNTABILITY OFFICE

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February 16, 2023

The Honorable Sherrod Brown
Chair
The Honorable Tim Scott
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Patrick T. McHenry
Chair
The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
House of Representatives

Financial Audit: Federal Deposit Insurance Corporation Funds' 2022 and 2021 Financial Statements

This report transmits the GAO auditor's report on the results of our audits of the 2022 and 2021 financial statements of the two funds that the Federal Deposit Insurance Corporation (FDIC) administers—the Deposit Insurance Fund (DIF) and the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund (FRF). The auditor's report is incorporated in the enclosed *Federal Deposit Insurance Corporation 2022 Annual Report*.

As discussed more fully in the auditor's report that begins on page 142 of the enclosed agency annual report, we found

- the financial statements of the DIF and of the FRF as of and for the years ended December 31, 2022, and 2021, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- although internal controls could be improved, FDIC maintained, in all material respects, effective internal control over financial reporting relevant to the DIF and to the FRF as of December 31, 2022; and
- with respect to the DIF and to the FRF, no reportable instances of noncompliance for 2022 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

During our audit, we continued to identify deficiencies in FDIC's controls over contract documentation and payment review processes. These deficiencies collectively represent a significant deficiency in FDIC's internal control over financial reporting that merits attention by those charged with governance of FDIC.[1] Section 17 of the Federal Deposit Insurance Act, as

[1]A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness

amended, requires GAO to audit the financial statements of the DIF and of the FRF annually.[2] In addition, the Government Corporation Control Act requires that FDIC annually prepare and submit audited financial statements to Congress and authorizes GAO to audit the statements.[3] This report responds to these requirements.

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We are sending copies of this report to the Chairman of the FDIC Board of Directors, the Chairman of the FDIC Audit Committee, the Chairman of the Board of Governors of the Federal Reserve System, the Acting Comptroller of the Currency, the Secretary of the Treasury, the Director of the Office of Management and Budget, interested congressional committees and members, and other interested parties. In addition, the report is available at no charge on the GAO website at https://www.gao.gov.

If you or your staffs have any questions concerning this report, please contact me at (202) 512-5683 or padillah@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report.

M. Hannah Padilla
Director
Financial Management and Assurance

Enclosure

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is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

[2]Act of September 21, 1950, Pub. L. No. 797, § 2[17], 64 Stat. 873, 890, *classified as amended at* 12 U.S.C. § 1827.

[3]31 U.S.C. §§ 9101-9110.