GAO

Accountability * Integrity * Reliability

Highlights

Highlights of GAO-13-291, a report to congressional committees

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 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 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 FDIC noncompliance with tested provisions of laws and regulations.

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 sound financial management has been and will remain a top priority.

View GAO-13-291. For more information, contact James R. Dalkin at (202) 512-3133 or dalkinj@gao.gov.

February 2013

FINANCIAL AUDIT

Federal Deposit Insurance Corporation Funds' 2012 and 2011 Financial Statements

What GAO Found

In GAO's opinion, the Federal Deposit Insurance Corporation (FDIC) fairly presented, in all material respects, the 2012 and 2011 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 the FRF as of December 31, 2012. Further, GAO did not find any reportable instances of noncompliance with provisions of the laws and regulations it tested.

The banking industry continued to recover in 2012. During 2012, 51 insured institutions with combined assets of $11.8 billion failed. The losses to the DIF from failures that occurred in 2012 were lower than the amount reserved at the end of 2011. This occurred primarily because the aggregate number and size of institution failures in 2012—and their estimated cost to the DIF—were less than anticipated. As discussed in note 17 to the DIF's financial statements, through February 14, 2013, two institutions have failed thus far during 2013. As of December 31, 2012, the DIF had a fund balance of $33 billion, compared to a fund balance of $11.8 billion at December 31, 2011. DIF's ratio of reserves to estimated insured deposits as of the end of September of 2012 was 0.35 percent, compared to 0.17 percent at the end of 2011. FDIC's long range target is to maintain the reserve ratio at a minimum 2 percent.

In an effort to counter the system-wide crisis in the nation's financial sector, the FDIC established the Temporary Liquidity Guarantee Program (TLGP) on October 14, 2008, for insured depository institutions, designated affiliates and certain holding companies. At its inception, the TLGP consisted of two components: 1) the Transaction Account Guarantee Program (TAG) and 2) the Debt Guarantee Program (DGP). The TAG provided unlimited coverage for noninterest-bearing transaction accounts held by insured depository institutions on all deposit amounts exceeding the fully insured limit of $250,000 through December 31, 2010. The DGP permitted participating entities to issue FDIC-guaranteed senior unsecured debt. The FDIC's guarantee for all such debt expired on December 31, 2012. The expiration of the guarantee period for the DGP marked the conclusion of the TLGP. As established under terms of the TLGP, all excess funds were transferred to the DIF.