AUDIT OF DIVISION OF SUPERVISION RELIANCE ON STATE EXAMINATIONS

Audit Report No. 99-032
August 2, 1999

OFFICE OF AUDITS

OFFICE OF INSPECTOR GENERAL

DATE: August 2, 1999

TO: James L. Sexton, Director
Division of Supervision

FROM: Steven A. Switzer
Deputy Inspector General for Audits

SUBJECT *Division of Supervision Reliance on State Examinations*
(Audit Report No. 99-032)

The Federal Deposit Insurance Corporation (FDIC) Office of Inspector General has completed an audit of the process used by the Division of Supervision (DOS) to rely on state examinations. Under the Federal Deposit Insurance (FDI) Act, the FDIC may rely on state examinations to meet examination frequency requirements, if it determines that the state examination is acceptable and meets the intent of the FDI Act.

On November 19, 1998, the OIG issued an audit report entitled *Audit of DOS Coordination of Examinations with State Banking Authorities in the Kansas City Region*. That report identified some areas of concern regarding reliance on state examination reports. In addition, while discussing that report at the December 16, 1998 Audit Committee meeting, some concerns were expressed by FDIC Board members over outdated working agreements in the Kansas City region. The purpose of this audit was to review DOS's process for relying on state examinations, including a review of working agreements, from a national perspective.

BACKGROUND

On December 19, 1991, the Federal Deposit Insurance Corporation Improvement Act (FDICIA) was signed into law, which added subsection 10(d) to the FDI Act that required annual full-scope examinations of all insured depository institutions. FDICIA allowed federal regulators to extend the examination intervals of certain small institutions to 18 months if the following criteria were met: the institution had total assets of less than $100 million; the institution was well capitalized and well managed, with a composite rating[1] of "1"; and the institution had not undergone a change of control in the last 12 months. These requirements became effective in December 1992, with a 1-year transition period through December 1993. FDICIA permitted examinations to be alternated with the appropriate state supervisory authority, provided that the federal banking agency determined that the state examination carries out the purpose of a full-scope, on-site examination.

Since FDICIA was enacted, examination frequency requirements have changed pertaining to banks with assets of less than $250 million. In 1994, the Riegle Community Development and Regulatory Improvement (CDRI) Act amended section 10(d) of the FDI Act to increase the asset level to $250 million for institutions with a composite rating of "1" that could be examined on an 18-month basis. The CDRI Act also allowed an examination cycle of up to 18 months for banks with a composite rating of "2" and $100 million or less in total assets. To qualify for an 18-month cycle, these institutions had to be well managed and well capitalized, not have undergone a change of control, and not be subject to any formal enforcement proceeding or order. This change became effective during September 1994.

The CDRI Act also provided that, at any time after a 2-year period beginning on the date of enactment, bank regulatory agencies could increase the asset limit to $175 million for those"2"-rated institutions eligible for the 18-month examination cycle. Section 2221 of the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA), which was passed in September 1996, increased the asset total to $250 million for "2"-rated institutions that were eligible for the18-month examination cycle. In addition to extending examination frequency requirements, the CDRI Act also required the Federal Financial Institutions Examination Council to adopt guidelines for relying on state examinations (see appendix I).

The FDIC is the primary federal regulator for approximately 5,900 banks throughout the 50 states and U.S. territories. The FDIC coordinates examinations with all state regulatory agencies, usually conducting independent alternating examinations with most state banking departments. For those states with smaller banking departments, the FDIC typically performs joint examinations, where one examination report is produced and signed by both the FDIC and the state banking department.

[1] At the end of a safety and soundness examination, each financial institution is assigned a composite rating based on an evaluation and rating of six essential components of an institution's financial condition and operations. These component factors, known as "CAMELS," address capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk. Composite and component ratings are assigned based on a 1 to 5 numerical scale. A "1" indicates the highest rating, strongest performance and risk management practices, and least degree of supervisory concern, while a "5" indicates the lowest rating, weakest performance, inadequate risk management practices, and therefore, the highest degree of supervisory concern.

To improve bank supervision and enhance cooperation between the FDIC and state banking departments, the FDIC has entered into working agreements with most of the 50 state banking departments.[2] The majority of these agreements resulted from a joint resolution entered into by the Conference of State Bank Supervisors (CSBS) and the FDIC on April 12, 1992. The purpose of the resolution was to develop an examination program that achieves the goals of improving supervisory efficiencies while reducing regulatory burdens on the banking industry. The joint resolution encouraged the negotiation and formation of working agreements with the state banking departments. The working agreements identify, among other things, the scheduling and frequency of examinations.

As of January 1, 1999, 42 states and Puerto Rico have entered into written working agreements with their respective FDIC regional offices, stipulating the circumstances under which bank examinations will be conducted. Four states have informal unwritten working agreements with the Atlanta regional office that provide the framework under which the FDIC and each of these states conduct the required examinations. Four states, four U.S. territories, and the District of Columbia have no working agreements with the FDIC, although the District of Columbia has no FDIC-supervised banks.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of the audit was to assess the process used by DOS for relying on state examinations. To accomplish this objective, we: (1) reviewed Bank Information Tracking System (BITS) data for over 3,500 state examination reports with examination dates from January 1, 1997 through September 30, 1998, (2) interviewed various regional office management officials to discuss the process used for accepting state examination reports, (3) interviewed senior management officials from the Conference of State Bank Supervisors, (4) reviewed all written working agreements that the FDIC has established with state banking authorities, (5) reviewed DOS policies for relying on state examinations, and (6) performed selected bank file reviews at the Chicago and Dallas regional offices. We relied on automated data obtained from BITS to ascertain the number and types of state examinations performed during the audit period. Based on some comparisons of the data with source documents, we determined that the data was reliable.

Fieldwork was performed in Washington, D.C., and at the Atlanta, Dallas, and Chicago regional offices of DOS. The audit was conducted in accordance with generally accepted government auditing standards for performance audits. We conducted the audit from October 1998 through June 1999.

[2] In addition to the 50 state banking departments, FDIC also examines a small number of banks in Puerto Rico, Guam, American Samoa, the Federated States of Micronesia, and the Virgin Islands. At the time this report was prepared, there were no FDIC-supervised banks in the District of Columbia.

RESULTS OF AUDIT

Based on our review of state examination data, we believe DOS has an adequate process for relying on state examinations. Each state examination report is reviewed to ensure that all risks to the deposit insurance funds have been identified and that appropriate corrective measures are taken. In addition, cooperative working agreements entered into by the FDIC and state banking departments appear to have improved supervisory efficiencies and reduced regulatory burdens on the banking industry since FDIC alternates examinations with most state banking departments. The FDIC coordinates closely with state banking departments through the use of the working agreements. According to DOS regional management officials and officials at the CSBS, the majority of these agreements work well. In addition, based on our review of selected files at the Chicago and Dallas regional offices, we found that the regional offices are complying with DOS policy regarding ratings changes.

We noted, however, that many of the working agreements between the FDIC and the state banking departments have not been updated since they were originally signed, despite changes in examination frequency requirements, and that there are some cases where no written agreement exists between the FDIC and a state banking department. To maintain close supervisory cooperation and to achieve optimal supervisory efficiency, we believe that the FDIC should maintain current, written agreements with all state banking departments.

DOS Accepts Virtually All State Examination Reports

The FDIC routinely accepts nearly all independent, full-scope state examination reports to meet examination frequency requirements. DOS regularly alternates examinations with 39 state banking agencies representing over 90 percent of the banks regulated by the FDIC. For 11 states and 1 territory, joint examinations are usually conducted where 1 examination report is produced and signed by both the FDIC and the state banking authority. During the period of January 1, 1997 through September 30, 1998, we found only 2 instances out of approximately 3,500 state examination reports processed where DOS did not accept an independent state examination report.[3] In both cases the reasons for non-acceptance were documented by the case manager in the Summary Analysis of Examination Report comments.

Even though the FDIC routinely accepts nearly all independent, full-scope state examination reports, each state examination report is reviewed to determine its acceptability. According to the Case Managers Procedures Manual, case managers are required to determine if a state examination is acceptable. Examination reports that are of sufficient scope and detail to support the assigned rating are used to meet examination frequency requirements. Reports that lack sufficient detail or fail to support the assigned rating are not used to extend examination intervals.

[3] The two instances pertain to state examination reports that were alternating, independent, and full-scope exams. We did find other instances where a state examination report was not accepted for purposes of meeting examination frequency requirements because the exam was either (1) a limited scope exam, (2) a concurrent exam with the FDIC and the FDIC's examination report was used instead, or (3) a successive exam performed by the state, and the FDI Act precludes federal regulators from relying on successive state examinations.

In certain cases, DOS may accept a state examination report but disagree with the state rating. In those cases, DOS will attempt to resolve the difference with the state authority and, if unable to do so, will prepare a rating change memorandum. DOS policy also requires that the FDIC notify the state banking authority and, in certain circumstances, the institution's board of directors of the rating difference and the basis for the FDIC's position. Our review of rating change memoranda for the period of January 1, 1997 through September 30, 1998 revealed only 5 instances out of approximately 3,500 state examination reports processed where a composite rating was changed because of disagreement with a state examination. In each case, the regional office complied with DOS policy for making rating changes.

An Attempt Should Be Made to Update or Establish Working Agreements

Of the 43 written agreements DOS has with state banking departments and Puerto Rico, 21 have not been updated to reflect changes in examination frequency resulting from the enactment of the CDRI Act in 1994 and EGRPRA in 1996 (see appendix II).[4] Most of these agreements were originally signed in 1992 and 1993, although two of the agreements, with Alabama and North Carolina, were signed in 1980 and 1982, respectively, and have not been formally updated since then. We believe that the goals of improving supervisory efficiencies, while reducing regulatory burdens on the banking industry could be helped by updating older agreements and attempting to obtain written agreements with all state banking departments.

Concerns over outdated working agreements were expressed at the December 16, 1998 Audit Committee meeting. During that meeting, the OIG presented its report on DOS coordination of examinations with state banking authorities in the Kansas City region. One of the report's findings pertained to outdated working agreements and concerns were expressed by two FDIC Board members over the need to have current working agreements.

We found that 22 state agreements were either updated since 1995 to reflect the changes in examination frequency or represented first-time agreements and included the new examination frequency requirements. The remaining 21 agreements do not contain the revised examination frequency schedule and are shown with a "No" in column three of appendix II. Examination frequency is not addressed, of course, in those eight states[4] and four territories with which the FDIC does not have a written agreement. These states and territories are identified in column two of appendix II as "Informal" or "None" (no written agreement is necessary with the District of Columbia since there are no state non-member banks there). According to DOS officials, written agreements with the U.S. territories and Micronesia would not provide much value since none of the territories have more than 2 banks or have any organized banking department, except for Puerto Rico.

[4] Subsequent to issuance of the draft report, DOS officials provided us with updated and corrected information pertaining to working agreements it has with state banking departments. As of June 30, 1999, there were 17 states and Puerto Rico where agreements had not been updated and a total of 6 states without written agreements. Appendix II of the report has been changed to reflect the updated and corrected information.

According to senior officials at the CSBS, state banking departments view the working agreements as an important factor in coordinating examinations of state-chartered banks with the FDIC and Federal Reserve. The CSBS officials believe that there has been an increase in cooperation between state and federal regulators because of the agreements. The CSBS officials indicated that it would be a good idea to get the agreements updated but also indicated that the agreements should remain flexible to meet the needs of both the FDIC and the states.

Recommendations

We recommend that the Director, DOS:

(1) Request that the Regional Directors update the 21 working agreements with state agencies as needed to reflect current statutory examination requirements.

(2) Request that the Regional Directors of Atlanta, Boston, and San Francisco pursue written agreements with banking departments in the eight states that have no written agreement.

CORPORATION COMMENTS AND OIG EVALUATION

On July 22,1999, the Director, DOS, provided a written response to the draft report. The response is presented in its entirety in appendix III to this report.

The Director concurred with the report's recommendations and stated that since receipt of the draft report, 20 state agencies and the banking department of Puerto Rico have been contacted to pursue updated agreements. Written agreements with Hawaii and Wyoming, were obtained after our fieldwork cut-off date. The Director noted that DOS has updated agreements with the state banking agencies of Delaware, Minnesota, and Montana. These updated agreements were inadvertently omitted from the written agreements provided to us by DOS. Appendix II of the report has been updated to reflect these changes.

The Director stated that working agreements have not been obtained for Vermont and Rhode Island because there is not an alternating examination program with these states. Also, DOS prefers to postpone updating the written agreement with Missouri until a permanent commissioner is named to replace the "acting" commissioner.

The Corporation's response to the draft report provided the elements necessary for management decisions on both recommendations. Therefore, no further response to the report is necessary. Appendix IV presents management's proposed action on the recommendations.

GUIDELINES FOR RELYING ON STATE EXAMINATIONS

Pursuant to the CDRI Act, the Federal Financial Institutions Examination Council (FFIEC) adopted guidelines for relying on state examinations in 1995. These guidelines provide, in part, that federal banking agencies will accept and rely on state reports of examination in all cases in which it is determined that state examinations enable the federal banking agencies to effectively carry out their supervisory responsibilities. According to the FFIEC guidelines, the following criteria may be considered, in whole or in part, by a federal banking agency in determining the acceptability of a state report of examination under section 10(d) of the FDI Act:

- Completeness of state examination report - the state examination report should contain sufficient information to permit a reviewer to make an independent determination on the overall condition of the institution as well as the component factors and composite CAMELS rating.

- Adequacy of documentation maintained routinely by state examiners to support observations made in examination reports.

- The ability over time for a state banking department to achieve examination objectives. Federal agencies should consider the adequacy of state budgeting, examiner staffing and training, and review procedures. Also, accreditation of a state banking department by the Conference of State Bank Supervisors (CSBS) should be considered.

- Adequacy of any informal or formal working arrangements with the state.

The written working agreements between FDIC and state banking authorities address the scheduling and frequency of examinations, pre-examination procedures, examination types, examination report processing, and enforcement actions. Although DOS does not typically review state examiner workpapers, state examination reports are reviewed to make an independent determination on the overall condition of the institution as well as each component factor in the CAMELS rating.

Other factors considered by the FDIC in determining the acceptability of state examinations are accreditation of a state banking department by CSBS and the fact that many states participate in FDIC-sponsored training courses. The CSBS is the professional association of state banking departments responsible for chartering, regulating, and supervising the nation's state-chartered banks. A comprehensive state banking department performance Accreditation Program is employed by CSBS to enhance the professionalism of these departments and their personnel, and to reduce duplicative federal regulatory and supervisory activity over state-chartered banks. To become accredited, state banking departments submit to a review of critical elements that assure the ability of these departments to discharge their responsibilities through an investigation of their administration and finances, personnel policies and practices, training programs, examination policies and practices, supervisory procedures, and statutory powers. As a means of monitoring a department's compliance with CSBS performance standards, every accredited banking department is subject to an annual review by outside consultants who are experienced regulators. As of December 31, 1998, 42 states and Puerto Rico have CSBS-accredited banking departments.

ANALYSIS OF FDIC/STATE WORKING AGREEMENTS

STATE	REGION	Date Working Agreement Signed	CDRI & EGRPRA Changes Included In Agreement	Date Of CSBS Accreditation	Total Number Of FDIC Regulated Banks
Alabama	ATLANTA	11-07-80	No	12-23-96	109
Florida		01-11-93	No	10-16-86	135
Georgia		Informal	Unknown	12-01-92	276
N. Carolina		01-01-82	No	10-01-97	86
S. Carolina		Informal	Unknown	None	51
Virginia		Informal	Unknown	None	23
W. Virginia		Informal	Unknown	08-21-96	43
Connecticut	BOSTON	06-02-92	No	04-28-86	56
Maine		06-10-93	No	10-21-96	25
Massachusetts		10-21-92	No	12-06-94	201
N. Hampshire		08-26-92	No	None	25
Rhode Island		None	None	None	7
Vermont		None	None	12-08-95	13
Illinois	CHICAGO	01-05-93	No	12-04-84	512
Indiana		12-12-96	Yes	03-14-88	114
Michigan		11-23-92	No	04-28-86	100
Ohio		10-17-94	No	10-24-89	98
Wisconsin		08-23-98	Yes	08-08-88	241
Colorado	DALLAS	05-12-98	Yes	01-04-91	106
N. Mexico		01-22-96	Yes	05-03-96	32
Oklahoma		05-07-98	Yes	03-23-94	149
Texas		02-20-96	Yes	10-27-93	377
Iowa	KAN. CITY	02-08-93	No	06-11-85	334
Kansas		03-30-95	Yes	05-26-95	259
Minnesota		06-26-97	Yes	11-28-90	342
Missouri		01-15-93	No	04-03-87	293
Nebraska		02-09-93	No	03-18-93	197
N. Dakota		01-29-93	No	12-16-92	93
S. Dakota		01-29-93	No	None	66
Arkansas	MEMPHIS	03-19-97	Yes	08-08-88	128
Kentucky		03-20-98	Yes	11-02-92	194
Louisiana		04-23-97	Yes	01-14-89	133
Mississippi		02-21-97	Yes	06-06-96	79
Tennessee		06-03-98	Yes	04-27-87	160
District of Columbia	NEW YORK	None	None	None	None
Delaware		02-05-99	Yes	12-23-96	18
Maryland		10-14-92	No	07-13-92	49
New Jersey		01-12-94	No	10-24-86	71
New York		07-01-96	Yes	10-15-85	109
Pennsylvania		07-16-97	Yes	02-28-86	111
Puerto Rico		03-23-93	No	07-08-94	11
Virgin Islands		None	None	None	2
Alaska	S. FRAN.	05-02-95	Yes	None	4
Arizona		07-07-95	Yes	07-05-96	21
California		12-12-97	Yes	04-06-90	200
Hawaii		04-07-99	Yes	03-30-90	11
Idaho		04-17-95	Yes	01-08-90	14
Montana		07-17-98	Yes	None	35
Nevada		06-27-95	Yes	None	17
Oregon		05-02-95	Yes	10-22-92	28
Utah		04-17-95	Yes	10-27-94	36
Washington		05-16-95	Yes	09-17-90	73
Wyoming		08-03-98	Yes	07-20-92	11
American Samoa		None	None	None	1
Guam		None	None	None	2
Micronesia		None	None	None	1

Source: Signed working agreements on file at DOS, CSBS-provided listing of accredited states, and FDIC institution directory webpage. Information as of December 31, 1998, except the working agreements which are as of June 30, 1999.

FDIC
Federal Deposit Insurance Corporation
550 17th Street Washington, DC 20429 Division of Supervision

July 22, 1999

MEMORANDUM TO: Steven A. Switzer
Deputy Inspector General for Audits

James L. Sexton mgs

FROM: James L. Sexton
Director, DOS

SUBJECT: Response to Draft Report Entitled
Division of Supervision Reliance on State Examinations

The Division of Supervision (DOS) appreciates the opportunity to respond formally to the recommendations contained in the subject report. Overall, the report concluded that DOS has an adequate process for relying on state examinations. However, the report also recommended that DOS update 21 working agreements to reflect current statutory requirements and pursue written agreements with the eight states that have no written agreements.

DOS views the working agreements as an important factor in coordinating examinations of State-chartered banks with the individual State agencies. In response to the report findings, the regions reviewed their files to ensure that the most current working agreements had been provided. As noted in the table below, there were four state agreements identified that had been updated in the interim and one agreement that was not provided in our earlier submission.

STATE	EFFECTIVE DATE
Delaware	02-05-99
Hawaii	04-07-99
Minnesota	06-26-97
Montana	07-17-98
Wyoming	08-03-98

DOS has written agreements with 27 State agencies that are current and reflect the changes in examination frequency resulting from the enactment of the Riegle Community Development and Regulatory Improvement Act and Section 2221 of the Economic Growth and Regulatory Paperwork Reduction Act. Since the receipt of this report, 20 of the remaining 23 State agencies have been contacted. Updated written agreements are in process with 11 of the State agencies; five of the State agencies requested to continue operating under the outstanding agreement; and four of the State agencies requested to continue operating under informal agreements. Please refer to the attached *Analysis of FDIC/State Working Agreements*, for the status of the working agreements with each State agency. The New York Regional Office has contacted the Banking Department for the Commonwealth of Puerto Rico and an updated agreement will be obtained. The updated agreements will be in place by December 31, 1999, and copies will be provided to the Office of Inspector General as documentation that corrective action has been implemented.

Working agreements have not been obtained for Vermont and Rhode Island because there is not an alternating examination program with these States. All examinations for the seven state nonmember banks in Rhode Island are completed jointly with the state, and most examinations of the 13 state nonmember banks in Vermont are completed jointly with the State. The Vermont Department of Banking and Finance does complete three independent examinations annually to maintain accreditation with the Conference of State Bank Supervisors. Neither state has sufficient staff to participate in an alternate examination program. The Missouri Division of Finance is currently supervised by an "acting" commissioner. DOS prefers to postpone updating the written agreement until a permanent commissioner is named.

The governments of American Samoa, Guam, Micronesia, and the Virgin Islands rely on the FDIC for examination reports. As stated on page 7 of the report, "written agreements would not provide much value since none of the territories have more than two banks, or have an organized banking department."

cc: Mr. Zamorski
Mr. Schmidt
Mr. Lane
Mr. Snyder
Mr. Walsh
Ms. Zumbrun

ANALYSIS OF FDIC/STATE WORKING AGREEMENTS

REGION/STATE	DATE OF AGREEMENT AS OF 12/31/98	DATE OF AGREEMENT AS OF 07/16/99	STATUS
ATLANTA			
Alabama	11-07-80	11-07-80	3
Florida	01-11-93	01-11-93	5
Georgia	Informal	Informal	4
North Carolina	01-01-82	01-01-82	3
South Carolina	Informal	Informal	4
Virginia	Informal	Informal	4
West Virginia	Informal	Informal	4
BOSTON			
Connecticut	06-02-92	06-02-92	5
Maine	06-10-93	06-10-93	5
Massachusetts	10-21-92	10-21-92	5
New Hampshire	08-26-92	08-26-92	5
Rhode Island	None	None	6
Vermont	None	None	6
CHICAGO			
Illinois	01-05-93	01-05-93	5
Indiana	12-12-96	12-12-96	1
Michigan	11-23-92	11-23-92	5
Ohio	10-17-94	10-17-94	5
Wisconsin	08-23-98	08-23-98	1
DALLAS			
Colorado	05-12-98	05-12-98	1
New Mexico	01-22-96	01-22-96	1
Oklahoma	05-07-98	05-07-98	1
Texas	02-20-96	02-20-96	1
KANSAS CITY			
Iowa	02-08-93	02-08-93	3
Kansas	03-30-95	03-30-95	1
Minnesota	02-01-93	06-26-97	1
Missouri	01-15-93	01-15-93	7
Nebraska	02-09-93	02-09-93	5
North Dakota	01-29-93	01-29-93	3
South Dakota	01-29-93	01-29-93	3
MEMPHIS			
Arkansas	03-19-97	03-19-97	1
Kentucky	03-20-98	03-20-98	1
Louisiana	04-23-97	04-23-97	1
Mississippi	02-21-97	02-21-97	1
Tennessee	06-03-98	06-03-98	1
NEW YORK			
Delaware	01-22-93	02-05-99	2
Maryland	10-14-92	10-14-92	5
New Jersey	01-12-94	01-12-94	5
New York	07-01-96	07-01-96	1
Pennsylvania	07-16-97	07-16-97	1
SANFRANCISCO			
Alaska	05-02-95	05-02-95	1
Arizona	07-07-95	07-07-95	1
California	12-12-97	12-12-97	1
Hawaii	None	04-07-99	2
Idaho	04-17-95	04-17-95	1
Montana	08-18-92	07-17-98	1
Nevada	06-27-95	06-27-95	1
Oregon	05-02-95	05-02-95	1
Utah	04-17-95	04-17-95	1
Washington	05-16-95	05-16-95	1
Wyoming	None	08-03-98	1

STATUS KEY

1	No action required.	**(25)**
2	State banking supervisor contacted and current agreement obtained/updated.	**(2)**
3	State banking supervisor contacted and requested to continue operating under outstanding agreement.	**(5)**
4	State banking supervisor contacted and requested to continue operating under informal agreement.	**(4)**
5	State banking supervisor contacted and update is in process.	**(11)**
6	Independent state reports are not accepted by the regional office.	**(2)**
7	Currently supervised by an "Acting" state bank supervisor. Regional office prefers to postpone updating agreement until a permanent commissioner is named.	**(1)**

MANAGEMENT RESPONSES TO RECOMMENDATIONS

The Inspector General Act of 1978, as amended, requires the OIG to report the status of management decisions on its recommendations in its semiannual reports to the Congress. To consider FDIC's responses as management decisions in accordance with the act and related guidance, several conditions are necessary. First, the response must describe for each recommendation

- the specific corrective actions already taken, if applicable;
- corrective actions to be taken together with the expected completion dates for their implementation; and
- documentation that will confirm completion of corrective actions.

If any recommendation identifies specific monetary benefits, FDIC management must state the amount agreed or disagreed with and the reasons for any disagreement. In the case of questioned costs, the amount FDIC plans to disallow must be included in management's response.

If management does not agree that a recommendation should be implemented, it must describe why the recommendation is not considered valid. Second, the OIG must determine that management's descriptions of (1) the course of action already taken or proposed and (2) the documentation confirming completion of corrective actions are responsive to its recommendations.

This table presents the management responses that have been made on recommendations in our report and the status of management decisions. The information for management decisions is based on management's written response to our report.

Rec. Number	Corrective Action: Taken or Planned/Status	Expected Completion Date	Documentation That Will Confirm Final Action	Monetary Benefits	Management Decision: Yes or No
1	The Corporation agreed with the recommendation. DOS Regional Directors have attempted to obtain updated agreements in all cases except Missouri, which will be pursued when a permanent commissioner is named.	December 31, 1999	DOS working agreements with states	Not Quantifiable	Yes
2	The Corporation agreed with the recommendation. DOS Regional Directors have attempted to get written agreements with those states currently without one except Vermont and Rhode Island, because there is not an alternating exam program with these two states.	December 31, 1999	DOS working agreements with states	Not Quantifiable	Yes