



Highlights of [GAO-07-255](#), a report to congressional committees

## Why GAO Did This Study

The Federal Deposit Insurance Reform Conforming Amendments Act of 2005 requires GAO to report on the effectiveness of Federal Deposit Insurance Corporation's (FDIC) organizational structure and internal controls. GAO reviewed (1) mechanisms the board of directors uses to oversee the agency, (2) FDIC's human capital strategies and how its training initiatives are evaluated, and (3) FDIC's process for monitoring and assessing risks to the banking industry and the deposit insurance fund, including its oversight and evaluation. To answer these objectives, GAO analyzed FDIC documents, reviewed recommended practices and GAO guidance, conducted interviews with FDIC officials and board members, and conducted site visits to FDIC regional and field offices in three states.

## What GAO Recommends

GAO recommends that FDIC (1) develop outcome-based performance measures for key human capital initiatives and make available such performance results to all employees and (2) develop policies and procedures that define how it will systematically and comprehensively evaluate its risk assessment activities.

FDIC generally agreed with the report and the recommendations, and has plans underway to improve evaluations of key training programs and risk assessment activities.

[www.gao.gov/cgi-bin/getrpt?GAO-07-255](http://www.gao.gov/cgi-bin/getrpt?GAO-07-255).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Yvonne D. Jones at (202) 512-2717 or [JonesY@gao.gov](mailto:JonesY@gao.gov).

# FEDERAL DEPOSIT INSURANCE CORPORATION

## Human Capital and Risk Assessment Programs Appear Sound, but Evaluations of Their Effectiveness Should Be Improved

### What GAO Found

FDIC's five-member board of directors is responsible for managing FDIC. Information and communication channels have been established to provide board members with information on the agency's operations and to help them oversee the agency. The board also has four standing committees for key oversight functions. For example, the audit committee primarily oversees the agency's implementation of FDIC Inspector General audit recommendations. Finally, because the board cannot oversee all day-to-day operations, the board delegates certain responsibilities to senior management. FDIC has procedures for issuing and revising its delegations of authority, which help ensure that the delegations are appropriate for its current structure and banking environment. FDIC has reviewed specific delegations on occasion at the request of a board member, management, and more recently in response to an Inspector General report's recommendation.

Management of human capital is critical at FDIC because the agency's workload can shift dramatically depending on the financial condition of the banking industry. FDIC uses an integrated approach, where senior executives come together with division managers, to develop human capital initiatives, and the agency has undertaken activities to strengthen its human capital framework. FDIC created the Corporate Employee Program to develop new employees and provide training in multiple disciplines so they are better prepared to serve the needs of the agency, particularly when the banking environment changes. Some FDIC employees thought the program had merit, but they expressed concerns about whether certain aspects of the program could slow down the development of expertise in certain areas. FDIC, through its Corporate University, evaluates its training programs, and officials are developing a scorecard that includes certain output measures showing progress of key training initiatives towards its goals. Officials told us that they would like to have outcome measures showing the effectiveness of their key training initiatives but have faced challenges developing them. However, outcome measures could help address employee concerns and ensure that the Corporate Employee Program achieves the agency's goals.

FDIC has an extensive system for assessing and monitoring external risks. FDIC's system includes supervision of individual financial institutions and analysis of trends affecting the health of financial institutions. FDIC has also developed contingency plans for handling the greatest dangers to the deposit insurance fund—particularly the failure(s) of large institutions. In addition to risk assessment, a key internal control is monitoring risk assessment activities on an ongoing basis. FDIC has evaluated several of its risk activities, but most of the evaluations we reviewed were not conducted regularly or comprehensively. For example, some simulations of its plans for handling large bank failures were either out of date or inconsistent with FDIC's guidance. Developing policies and procedures and clearly defining how it will monitor and evaluate its risk activities could assist FDIC in addressing or preventing weaknesses in its evaluations.