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Appraisal Subcommittee

Federal Financial Institutions Examination Council

October 16, 2001

The Honorable George W. Bush
President of the United States
The White House
Washington, D.C. 20500

Subject: Combined annual report under the Inspector General Act of 1978, as amended (“IG Act”), and the Federal Managers’ Financial Integrity Act of 1982 (“FMFIA”)

Dear Mr. President:

Please accept this letter as the Appraisal Subcommittee of the Federal Financial Institutions Examination Council’s (“ASC”) combined annual report under the IG Act and annual statement under FMFIA.

IG Act

The IG Act effectively requires a “Federal entity,” *e.g.*, the ASC, to report: (1) whether an IG office has been established; (2) what actions have been taken to otherwise assure that appropriate program and operations audits are being conducted; and (3) in summary, those actions relating to personnel, programs, and operations referred to prosecutive authorities, including a summary description of any preliminary investigation conducted by, or at the request of, the Federal entity and any resulting prosecutions and convictions.

- (1) The ASC has not established a separate Office of the Inspector General (“OIG”);
- (2) The ASC is part of the Federal Financial Institutions Examination Council (“FFIEC”), which, in turn, is made up of the heads or designees of the Federal financial institutions regulatory agencies (“Agencies”). The chairmanship of the FFIEC rotates periodically pursuant to statute, and the OIG of the Agency of the current chairman is available to the ASC.

To assure that appropriate program and operations audits are conducted, the ASC has contracted with Lang Group Chartered (“Lang”), an independent accounting firm. Enclosed for your information is a copy of Lang’s *Financial Statements for the Year Ended September 30, 2000, and Independent Auditors Report*. Lang found that (a) the financial statements of the ASC fairly represented in all material respects the financial position of the ASC as of September 30, 2000, and the results of its operations and cash flows for the year then ended were in conformance with generally accepted accounting principles; (b) no material weaknesses existed involving the ASC’s internal control structure and its operation; and (c) the ASC is in compliance with selected provisions of applicable laws and regulations tested. The ASC has obtained Lang’s services to perform such an audit for the years ending September 30, 2001; and

3. No actions relating to personnel, programs, and operations were referred to prosecutive authorities.

FMFIA

The ASC has assessed its management controls as required by FMFIA and OMB Circular A-123. I assure you that those controls are adequate and that the ASC's financial systems conform to government-wide standards.

Sincerely,

Thomas E. Watson, Jr.
Chairman

Enclosure