

□   □   □   □   □   □

# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

November 28, 2005

The Honorable George W. Bush  
President of the United States  
The White House  
Washington, DC 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 O’Connor & Drew, P.C. (“O’Connor”), an independent accounting firm. Enclosed for your information is a copy of O’Connors’ *Financial Statements for the Year Ended September 30, 2004, and Independent Auditors Report*. O’Connor 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, 2004, 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 O'Connor's services to perform such an audit for the year ending September 30, 2005; 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,

Virginia Gibbs  
Chairman

Enclosure