



Budget for Fiscal Year 2024

February 2023



Federal Deposit Insurance Corporation
Office of Inspector General

MISSION AND VISION

The Federal Deposit Insurance Corporation (FDIC) insures approximately \$10 trillion in deposits at approximately 4,805 banks and savings associations and directly supervises about 3,100 of these banks. It aims to promote the safety and soundness of these institutions by identifying, monitoring, and addressing risks to which they are exposed. The FDIC (Agency) does not receive any Congressional appropriation; the Agency is funded by premiums that banks and thrift institutions pay for deposit insurance coverage and earnings on investments in U.S. Treasury securities.

The FDIC Office of Inspector General (OIG) is an independent organization established under the Inspector General (IG) Act of 1978, as amended. The FDIC OIG mission is to prevent, deter, and detect fraud, waste, abuse, and misconduct in FDIC programs and operations; and to promote economy, efficiency, and effectiveness at the Agency. In carrying out its mission, the FDIC OIG:

- Conducts audits, evaluations, and investigations;
- Reviews existing and proposed legislation and regulations; and
- Keeps the FDIC Chairman and the Congress informed of problems and deficiencies relating to FDIC programs and operations.

The vision for the Office is to serve the American people as a recognized leader in the Inspector General community:

- Driving change and making a difference by prompting and encouraging improvements and efficiencies at the FDIC; and
- Helping to preserve the integrity of the Agency and the banking system, and protect depositors and financial consumers.

SOURCE OF OIG FUNDING

The source of funding for the FDIC OIG is the Deposit Insurance Fund (DIF), which is funded by premiums that banks and savings associations pay for deposit insurance coverage. The FDIC OIG receives no tax dollars.

FDIC OIG budget authority has two sources: the Federal Deposit Insurance Act (FDI Act) and annual appropriations acts. The FDI Act provides permanent authority for the FDIC to fund its operations from the DIF without further appropriation, and this was the sole authority for OIG funding from its establishment in 1989 through Fiscal Year (FY) 1997. Beginning in FY 1998, in order to promote the independence of the OIG, the Congress has specified in annual appropriations acts the amount from the DIF that is to be allocated to the OIG for the OIG's exclusive use. Although the amount of funding is specified in the appropriations acts, the acts have also specified that the source of the funding remains the DIF created by the FDI Act, not the U.S. Treasury. Through its annual budget process as authorized by the FDI Act, the FDIC, at the beginning of each calendar year, allocates an amount from the DIF to the OIG. This figure is calculated by estimating the amount to be specified in appropriations, and is later adjusted if enacted appropriations specify an amount different than the estimate.

The amount of the FDIC OIG appropriation does not count against Appropriations Subcommittee allocations under section 302(b) of the Congressional Budget Act.

PROPOSED FISCAL YEAR 2024 BUDGET

For FY 2024, the OIG's proposed budget is \$49.8 million -- approximately 4.9 percent above the OIG's budget request for FY 2023 of \$47.5 million and 2.6 percent above the Office of Management and Budget's (OMB) FY 2024 Budget Submission Guidance (OMB Guidance). Application of OMB's guidance would result in a maximum budget request of \$48.6 million – an amount that would neither sustain prior investments in information technology and data analysis nor support critical OIG contractual audit services focused on cyber security and statutorily-mandated reviews of failed banks.

Current Baseline

The FDIC OIG budget is largely driven by personnel and benefits costs. Estimated pay and benefits costs for FY 2022 are \$38 million, which represents 84 percent of the budget. As of September 30, 2022, there were 143 staff on board with 12 positions in various stages of the hiring process. By the end of calendar year 2022, the expected number of staff on board will be 152. The projected FY 2023 year-end staffing level is 153.

We project that we will maintain a full staffing level of 153 Full-Time Equivalents during FY 2024 with projected salary and benefits of \$44 million (approximately 86 percent of the budget). Our highly-experienced and specially-trained OIG workforce is our greatest asset, and our professional staff of auditors, evaluators, and investigators is critical to conducting effective oversight of complex regulatory and investigative issues in the banking sector. Approximately 71 of these OIG positions are Special Agents in the 1811 job series, with a higher cost structure due to availability pay and higher benefits costs for retirement funding. The baseline also includes expenses for recurring non-personnel categories such as travel, purchases and leases of equipment and supplies, and subscriptions and licenses for research and IT resources. Moreover, the request includes sufficient funding for OIG employee training and contributions to the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

As recommended in OMB Budget Guidance, the FDIC OIG's budget request for FY 2024 continues to build on important investments included in its budget for FY 2023 – with a special emphasis on data analytics and IT infrastructure to include cybersecurity. The related investment includes maintaining and sustaining prior investments in personnel, hardware, and software that support evidence and data-driven management at all levels of Agency decision making. The proposed budget also includes contingent funding in the event that there are additional bank failures.

Sustain Prior Investments

Data Analytics and IT Infrastructure

In FY 2024, the OIG proposes a budget that maintains/sustains our prior investment in personnel uniquely skilled in data analytics, information technology, and cyber security audits as well as support personnel to ensure the OIG's administrative and fiscal accountability. Over the past year, we have made a concerted effort to hire data analytics and cyber security staff to support our data analytics and IT infrastructure initiatives. For example, we increased our capabilities for cybersecurity audits, evaluations, and reviews by hiring four IT/cyber skilled staff with two additional staff scheduled to be on board by the end of the calendar year.

In addition, we have added a Data & Analytics Officer and an IT specialist to support our initiatives for data analytics and ensure data-driven decision making. As a result, the anticipated number of staff on board for FY 2024 will be 153 (an increase of 4 positions from our authorized staffing level for FY 2023).

Sustaining these investments will advance the OIG's efforts to develop electronic management tools, operational analytics, and performance reporting, as well as data

analytics for our audits, evaluations, and reviews. Furthermore, the increased use of data analytics will promote efficiency in the OIG, thereby allowing the OIG to focus its resources on critical oversight areas, such as complex fraud schemes, systemic weaknesses at the Agency, and cyber security threats.

Plan for Contingencies

Material Loss Reviews

If a bank fails and causes a loss to the DIF above \$50 million, the FDIC OIG is required by statute to complete a Material Loss Review within 6 months.

The potential impact of the pandemic on the banking sector remains uncertain. FY 2024 could see an increase in the number of bank failures. Due to these economic and financial uncertainties, we have implemented a contingent contract vehicle. This contract would only be executed if bank failures occur, and we would be required to conduct Material Loss Reviews (and/or Failed Bank Reviews). Having a contract in place and funding available would allow us to begin the work quickly and meet the statutory deadline. This level of preparedness is consistent with the FDIC's contingency planning, and it is necessary to ensure the FDIC OIG's ability to respond to an economic downturn that may impact the banking sector.

CONCLUSION

We remain committed to providing critical oversight to the FDIC by prompting and encouraging improvements and efficiencies at the agency, and helping to preserve the integrity of the banking system. With the requested funds, we will remain responsive to cutting-edge issues related to information technology infrastructure and cyber security, while making optimal use of data analytics to identify potential areas of concern and make data-driven decisions.

These funds will support OIG organizational goals to conduct quality audits and evaluations; issue reports based on reliable evidence and sound analysis; and make meaningful recommendations focusing on outcome-oriented impact and cost savings. Moreover, the FDIC OIG will pursue and investigate important cases with significant impact, and maintain positive working relationships with the FDIC, other OIGs, and law enforcement partners.

FDIC Office of Inspector General
 Budget Comparison
 (\$ in thousands)

Object Classification	FY 2022 Appropriation	FY 2023 Budget	FY 2024 Request
11.1 Full-Time Equivalent	\$23,800	\$26,198	\$27,950
11.5 Other Personnel Compensation	\$1,400	\$1,200	\$1,500
11.9 Total Personnel Compensation	\$25,200	\$27,398	\$29,450
12.1 Civilian Personnel Benefits	\$12,765	\$14,108	\$14,600
21.0 Travel and Transportation of Persons	\$1,100	\$1,480	\$1,400
22.0 Transportation of Things	\$14	\$14	\$14
25.0 Other Services	\$4,285	\$2,323	\$2,100
26.0 Supplies and Materials	\$15	\$25	\$25
31.0 Equipment	\$1,685	\$2,152	\$2,250
Total	\$45,064	\$47,500	\$49,839
Full-Time Equivalent	138	149	153