

FDIC Office of Inspector General

The FDIC's Student Residence Center

Office of Audits

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Notice

Pursuant to Pub. L. 117-263, section 5274, non-governmental organizations and business entities identified in this report have the opportunity to submit a written response for the purpose of clarifying or providing additional context to any specific reference. Comments must be submitted to comments@fdicoig.gov within 30 days of the report publication date as reflected on our public website. Any comments will be appended to this report and posted on our public website. We request that submissions be Section 508 compliant and free from any proprietary or otherwise sensitive information.



Executive Summary

The FDIC's Student Residence Center (AUD-26-01)

January 6, 2026

What We Did

In January 2024, the Federal Deposit Insurance Corporation (FDIC) Office of Inspector General (OIG) received a Congressional request to perform work related to the Student Residence Center (SRC). The FDIC OIG's February 2024 response to this request noted that the FDIC OIG was planning to perform work related to the FDIC's ownership and management of real estate assets, which included the SRC at the Virginia Square Campus.

The objective of our audit was to assess the FDIC's efforts to determine the cost benefits of, and organizational risks associated with, operating the SRC.

Impact on the FDIC

Implementing data-driven decision making related to SRC current and future operations would help ensure that the FDIC optimizes and effectively manages this real property asset. Further, establishing a risk assessment process for SRC operations would enhance the FDIC's ability to proactively identify, analyze, and manage risks, align efforts across FDIC Divisions and Offices, and achieve goals and objectives.

What We Found

We found the FDIC has not determined the cost benefits of, or organizational risks associated with, operating the SRC. Specifically, the FDIC could not provide documentation that SRC cost benefits have been assessed since 1986 or that organizational risks specifically related to operating the SRC have been formally identified, assessed, or addressed. This was due, in part, to the FDIC's lack of (1) asset management processes and procedures; (2) centralized, accessible SRC-related financial and non-financial data; and (3) performance goals and objectives for SRC operations.

As a result, the FDIC cannot readily determine whether the SRC is achieving the best value for the agency. Additionally, without defined processes for capturing and maintaining relevant, quality information, the FDIC is limited in its ability to efficiently monitor the effectiveness of, and make informed decisions about, the current and future use and operations of the SRC.

What We Recommended

We made four recommendations intended to improve the FDIC's efforts to determine SRC cost benefits and to identify organizational risks associated with operating the SRC. We recommended that the FDIC develop and finalize processes and procedures for real property asset management-related activities; establish and execute a data-driven decision making process regarding the current and future use and operation of the SRC; develop performance goals and objectives for the SRC; and leverage FDIC Directive 4010.03, Enterprise Risk Management and Internal Control Program, to identify, assess, and mitigate risks related to achieving the SRC performance goals and objectives identified. The FDIC concurred with all four recommendations and plans to complete all corrective actions by September 30, 2026.



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The FDIC's Student Residence Center

OBJECTIVE

In January 2024, the Federal Deposit Insurance Corporation (FDIC) Office of Inspector General (OIG) received a Congressional request to perform work related to the Student Residence Center (SRC).¹ Specifically, the Congressional request stated that, in light of a recent media report,² the FDIC OIG should “determine whether [the SRC] still makes financial sense, and that the FDIC is taking meaningful steps to police the behavior of its workforce if they are to continue staying at the [SRC].” The FDIC OIG responded to this request in February 2024 noting that the FDIC OIG planned to review the FDIC’s ownership and management of real estate assets, which included the SRC located on the FDIC’s Virginia Square campus in Arlington, Virginia.³

The objective of our audit was to assess the FDIC’s efforts to determine the cost benefits of, and organizational risks associated with, operating the SRC.

We conducted this performance audit from April through September 2025 in accordance with the Government Accountability Office’s (GAO) *Generally Accepted Government Auditing Standards*.⁴ Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. [Appendix 1](#) of this report includes additional details about our objective, scope, and methodology.

BACKGROUND

In 1986, the FDIC purchased 9.5 acres of land in Arlington, Virginia and, in 1989, began constructing the Virginia Square campus. Today, the Virginia Square campus consists of approximately 1.6 million gross square feet of office, conference, training, mechanical, and special use space, including a cafeteria, health unit, fitness center, and daycare center. The Virginia Square campus also houses commercial businesses, the FDIC’s primary data center,

¹ United States Senate, [Letter from Senator Ernst](#), January 26, 2024.

² Wall Street Journal, [“Strip Clubs, Lewd Photos and a Boozy Hotel: The Toxic Atmosphere at Bank Regulator FDIC.”](#) Rebecca Ballhaus, November 13, 2023.

³ The FDIC OIG also noted in its response that it had initiated an evaluation of the FDIC’s sexual harassment prevention program and was reviewing allegations of harassment or related misconduct as part of a Special Inquiry to report on the leadership climate at the FDIC. The FDIC OIG issued three reports on these topics: [The FDIC’s Sexual Harassment Prevention Program](#) (Report No. EVAL-24-05) (July 2024), [Special Inquiry of the FDIC’s Workplace Culture with Respect to Harassment and Related Misconduct – Part 1](#) (Report No. REV-25-01) (December 2024), and [Special Inquiry of the FDIC’s Workplace Culture with Respect to Harassment and Related Misconduct – Part 2](#) (Report No. REV-25-03) (July 2025).

⁴ Issuance of this report was delayed because of the lapse in the OIG’s appropriations that occurred from October 1, 2025, through November 12, 2025.

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and the 354-room SRC. **Figure 1** displays an aerial map of the Virginia Square campus, its boundaries in yellow, and the SRC bound in red in the center of the campus.

The Student Residence Center

The primary purpose of the SRC is to provide lodging for FDIC employees, federal financial regulatory agency employees, and other authorized, non-FDIC guests⁵ traveling to the Washington, D.C. metropolitan area to participate in courses and seminars offered by the FDIC and other training groups.⁶ FDIC employees must use the SRC if on official business travel (for purposes including meetings, conferences or training) to the Washington, D.C. area.⁷ The SRC is not considered to be a hotel because the facility is not available to the public and is not operated for profit like commercial lodging.

Figure 1: Aerial Map of Virginia Square Campus



Source: Arlington County Maps.

The SRC is operated on a day-to-day basis by a contractor in partnership with the FDIC.⁸ The contractor's scope of work for SRC operations includes administration, housekeeping, general maintenance and cleaning, and acting as a central reservation agent for lodging. While the SRC is open and operates every day of the year, contract requirements state that the contractor is not expected to fill rooms on the weekends.

Additionally, the services needed to operate and maintain the FDIC's owned headquarters buildings in the Washington, D.C. area, including the SRC, are performed under a consolidated facilities management contract. Services performed under the consolidated facilities management contract include operations and maintenance, building repairs, elevator

⁵ Other federal agencies that request access for their employees to stay at the SRC must enter into an Inter-Agency Agreement with the FDIC.

⁶ Payment is not required for lodging at the SRC by FDIC employees on official business travel. However, FDIC employees may obtain lodging at the SRC at their own expense before and after their official business travel dates.

⁷ FDIC employees on official business travel to the Washington, D.C. area may obtain lodging outside of the SRC only if they are informed that the SRC has no availability. The FDIC will reimburse FDIC employees for these non-SRC lodging expenses.

⁸ This contract also requires the contractor to provide food management services at the Virginia Square campus and FDIC headquarters buildings in Washington, D.C., and conference planning management services for meetings held at Virginia Square as well as locations nationwide.



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maintenance and repair, trash and recycling, landscaping, and building control systems maintenance and repair as part of a monthly fixed fee.⁹ SRC operations are also supported by nationwide contracts, including architectural and engineering services and security services. The SRC does not have its own utility accounts or meters; instead, SRC utility usage and related costs are included in the FDIC's Virginia Square overall office building utility usage.

FDIC Roles and Responsibilities

The Division of Administration's (DOA) Corporate Services Branch (CSB) is responsible for programs and functions in support of FDIC nationwide operations. These responsibilities include hospitality-related services, event and conference planning, and meeting space and guest room availability for the SRC. Additionally, CSB manages and oversees a variety of facilities-related services, including building operations and repairs, equipment maintenance, and janitorial services.

The Chief Financial Officer ensures the FDIC's Internal Control program supports the FDIC's Enterprise Risk Management program, which aims to address risks that could impact the Agency's ability to achieve its mission, goals, and objectives. In turn, the Chief Risk Officer, in the Office of Risk Management and Internal Controls (ORMIC), directs and oversees activities related to the management of the FDIC's Enterprise Risk Management program and maintains the program's components including the Risk Appetite Statement, Risk Profile, and Risk Inventory. ORMIC provides the centralized process of review, independent analysis, and reporting to inform business decisions and resource allocation to ensure acceptable risk mitigation efforts across the FDIC. ORMIC works collaboratively with FDIC Divisions and Offices to implement a consistent and proactive approach to assessing and managing enterprise risks.

AUDIT RESULTS

Lack of Cost Benefits or Organizational Risks

We found the FDIC has not determined the cost benefits of, or organizational risks associated with, operating the SRC. Specifically, the FDIC could not provide documentation that SRC cost benefits have been assessed since 1986 or that organizational risks associated with operating the SRC have been formally identified, assessed, or addressed. This was due, in part, to the FDIC's lack of (1) asset management processes and procedures; (2) centralized, accessible SRC-related

⁹ The consolidated facilities management contract does not separate monthly fixed-fee costs for the SRC from the Virginia Square campus office buildings. This contract also includes reimbursable services as needed and when approved.



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financial and non-financial data; and (3) performance goals and objectives for SRC operations.

As a result, the FDIC cannot readily determine whether the SRC is achieving the best value for the agency. Additionally, without defined processes for capturing and maintaining relevant, quality information, the FDIC is limited in its ability to efficiently monitor the effectiveness of, and make informed decisions about, the SRC. Implementing data-driven decision making related to SRC operations would help ensure that the FDIC optimizes and effectively manages this real property asset. In addition, leveraging a risk assessment process for SRC operations would enhance the FDIC's ability to proactively identify, analyze, and manage risks, align efforts across FDIC Divisions and Offices, and achieve objectives and goals.

According to GAO's *Standards for Internal Control in the Federal Government*,¹⁰ management should use quality information to achieve the entity's objectives. Management should identify information requirements to obtain relevant data from reliable sources in a timely manner and use quality information to make informed decisions and evaluate performance in achieving key objectives and addressing risks.

GAO also states that a risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses. To identify risks, management should consider the types of risks that impact the entity, including internal and external risk factors. In addition, management should state objectives in specific terms, clearly defining what is to be achieved, who is to achieve it, how it will be achieved, and the time frames for achievement. These objectives should be in alignment with the organization's mission, strategic plan, and performance goals and in measurable terms so that performance toward achieving those objectives can be assessed.

FDIC Processes for Cost and Risk Management

The FDIC has processes and procedures for cost and risk management established in FDIC Directive 4000.02, *Cost Management*, and Directive 4010.03, *Enterprise Risk Management and Internal Control Program*:

FDIC Directive 4000.02 establishes policies and responsibilities for the collection, analysis, and reporting of cost information to management for resource allocation decision making to achieve the best value.¹¹ Cost Management information must be analyzed and put into context to be useful for making management decisions. The

¹⁰ GAO-14-705G (September 2014), effective through the end of fiscal year 2025. The GAO's 2025 revision of *Standards for Internal Control in the Federal Government* is effective beginning with fiscal year 2026.

¹¹ FDIC Directive 4000.02 defines best value as the combination of cost, schedule, and quality are optimized over the life of the product or service.



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analysis should include preparing trend analyses, gathering data to make appropriate comparisons, developing options for continuous process improvements, and combining cost and financial data with non-financial program data to assess costs in the context of program performance.

FDIC Directive 4010.03 establishes policy and responsibilities to identify, assess, and address major risks and emerging risks that have a potential broad impact on the FDIC's ability to achieve its goals, objectives, and mission. Each FDIC Division and Office should identify key activities and determine what risks may threaten its, or the FDIC's, ability to achieve success. Management takes the necessary actions to address the risks, including escalating the issues up the chain of command and/or to appropriate committees. In some cases, these risks may present opportunities, either for process or program improvements, or for promoting transparency in the FDIC's activities.

In 1986, the FDIC prepared a "Rationale for Purchase of Virginia Square" that compared the costs of owning office space and a residential unit at the Virginia Square site versus leasing office and residential units over a ten-year period.¹² The supporting analyses in the rationale documentation concluded that the cost of owning and operating office and residential space was more favorable than leasing. However, the FDIC could not provide documentation that SRC cost benefits have been assessed since 1986.

The FDIC's Risk Inventory contains enterprise-level 'Personnel and Physical Security' and 'Capital Projects and Major Repairs' risks related to operating its real property assets. However, the FDIC could not provide documentation that organizational risks specifically related to operating the SRC, that could negatively affect the FDIC's ability to achieve its goals and objectives, have been formally identified, assessed, or addressed. We determined the lack of documentation was due, in part, to the FDIC's lack of (1) asset management processes and procedures; (2) centralized, accessible SRC-related financial and non-financial data; and (3) performance goals and objectives associated with SRC operations.

The FDIC Lacks Asset Management Processes and Procedures

Executive Order 13327, *Federal Real Property Asset Management* (February 2004) states that it is the policy of the United States to promote the efficient and economical use of America's real property assets and to assure management accountability for implementing Federal real property management reforms. The Executive Order directs federal agencies to designate a Senior Real Property Officer to develop and implement an agency asset management planning process and an agency asset management plan. Among other things, each federal agency's asset management plan shall:

¹² The costs of office space and residential units were combined in this analysis.

- prioritize actions needed to improve the operational and financial management of the agency's real property inventory;
- use lifecycle costs estimations for those actions; and
- identify asset management goals and measure progress towards those goals.

The Executive Order also requires the General Services Administration to provide real property management policy oversight and guidance, publish common performance measures and standards, and establish and maintain a database of all real property under the custody and control of all executive branch agencies. Performance measures are to include evaluating the costs and benefits involved with acquiring, repairing, maintaining, operating, managing, and disposing of real property.

However, in October 2004, the FDIC Legal Division opined that Executive Order 13327 did not apply in any capacity to the FDIC because the definition cited for "Executive Agency" did not include the FDIC. As a result, the FDIC has not considered or adopted guidance contained in the Executive Order related to real property asset management activities. Additionally, the FDIC has not developed any formal, written policies, processes, procedures, or guidance to promote the best value for its owned real property. Without formal real property asset management processes and procedures, the FDIC is hindered in its ability achieve the best value of its owned real property and promote management accountability through the establishment of clear goals, objectives, and performance measures.

Recommendation 1:

We recommend the **Director, Division of Administration**, develop and finalize processes and procedures for real property asset management-related activities, to include acquisition, management, utilization, and disposal of owned real property.

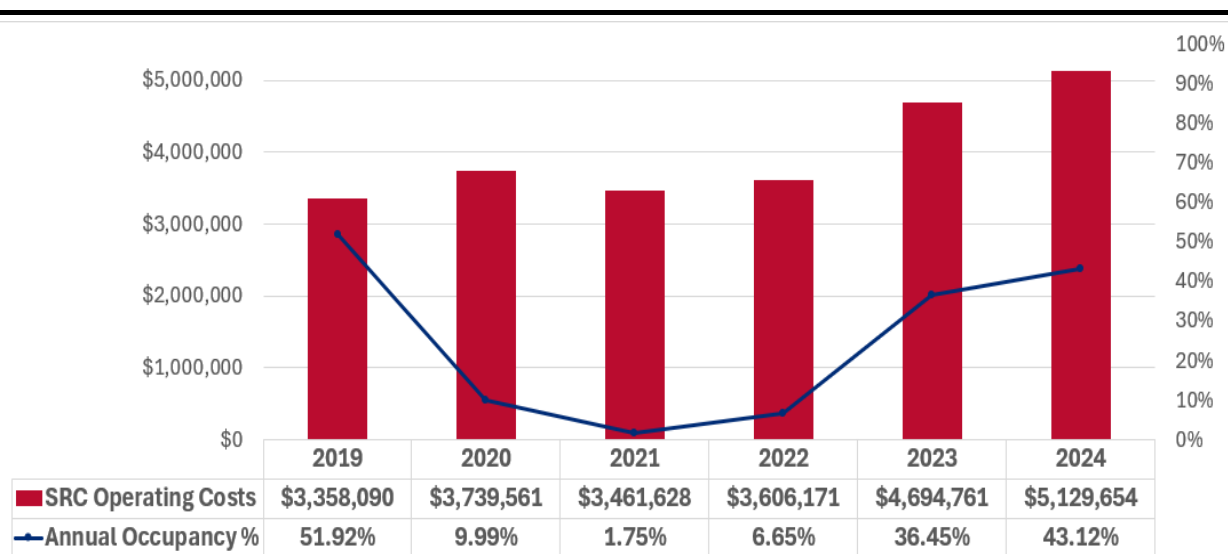
The FDIC Lacks Centralized, Accessible SRC-Related Data

Despite the availability of SRC-related operational and utilization data, the FDIC has not identified, obtained, and analyzed SRC-related financial and non-financial data in a centralized, systematic, and accessible manner. Rather, SRC-related data is independently maintained across contractors and FDIC Divisions and Offices resulting in a lack of collaboration and information sharing.

For example, the contractor that supports SRC lodging operations generates monthly SRC operating statements that detail room revenues (e.g., guest payments) and expenses (e.g., administration, housekeeping, general maintenance and cleaning). The contractor also tracks SRC room reservations, availability, and occupancy. According to FDIC officials, this documentation is used in support of contract required deliverables, not for additional FDIC cost benefit analyses.

According to our analysis of the contractor's operating statements, annual SRC operating costs from 2019 to 2024 were approximately \$23.9 million.¹³ Additionally, the annual SRC occupancy, including FDIC and non-FDIC guests, from 2019 to 2024 ranged from between 1.75 percent and 51.92 percent.¹⁴ **Figure 2** summarizes our analysis of annual SRC operating statements and SRC occupancy reports from 2019 to 2024.

Figure 2: Annual SRC Operating Costs versus Annual Occupancy from 2019-2024



Source: OIG Summary of SRC Operating Statements, Revenue Summaries, and SRC Occupancy Reports.

Additionally, while not specific to the SRC, the FDIC maintains travel and expense data that could identify the extent to which FDIC personnel are not using SRC lodging when traveling to the Washington, D.C. area. According to FDIC travel expense data, approximately \$2.78 million was expended on lodging and related taxes for FDIC personnel to stay at lodging other than the SRC when traveling to the Washington D.C. area from 2019 through 2024.¹⁵ Further, the DOA's Special Events and Hospitality Unit uses a purchase card to pay for approved non-FDIC guests to stay at non-SRC lodging in the Washington, D.C. area. According to Special Events and Hospitality Unit purchase card records, the FDIC expended approximately \$89,000 on lodging

¹³ Contractor-reported SRC operating costs consist of a management fee, plus total direct expenses less total revenues. Increases in SRC operating costs are generally due to contract modifications to increase fixed price labor amounts, which are part of the management fee.

¹⁴ In March 2020, consistent with the FDIC Continuity of Operations Plan and Pandemic Influenza Plan, the FDIC Chairman directed all employees to engage in mandatory telework due to the COVID pandemic. In May 2023, the Federal COVID public health emergency ended.

¹⁵ *Supra* note 7.



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and related taxes for invitational guests (e.g., guest speaker) to stay at lodgings other than SRC in the Washington D.C. area between September 2022 and December 2024.¹⁶

As shown in **Table 1**, the FDIC has expended approximately \$2.87 million for non-SRC related lodging and related taxes from 2019 to 2024. These expenses are in addition to the approximately \$23.9 million to operate the SRC across the same timeframe.

Table 1: Summary of Non-SRC Lodging Expenses from 2019-2024

Year	Non-SRC Lodging and Tax Expenses ^a	Non-SRC Lodging Expenses for Invitational Guests ^b	Total Non-SRC Lodging Expenses
2019	\$1,649,857	Unavailable	\$1,649,857
2020	\$80,159	Unavailable	\$80,159
2021	\$5,622	Unavailable	\$5,622
2022	\$25,273	\$13,141	\$38,414
2023	\$162,542	\$64,713	\$227,254
2024	\$859,712	\$11,716	\$871,428
Total	\$2,783,165	\$89,570	\$2,872,734

^a Total approximate lodging expenses and associated taxes for non-SRC lodging in the Washington, D.C. area.

^b Purchase card data not available prior to September 2022.

Table Note: In March 2020, the FDIC Chairman directed all employees to engage in Mandatory Telework due to the COVID pandemic.

Source: OIG Summary of FDIC travel and expense report data and purchase card data.

We also found that additional SRC-specific costs were not readily identifiable. For example, while a contractor provides consolidated facilities management services to operate and maintain the SRC, these services are included in the monthly fixed fee for all office buildings on the Virginia Square Campus. Additionally, SRC-related insurance costs are included in the FDIC's nationwide commercial property and general liability insurance policies. Further, SRC-specific utility usage and related costs are included in the overall Virginia Square office building utility usage and billings. We noted that the FDIC estimates and reports annual SRC-related operating expenses, such as operations and maintenance costs and utilities, to Arlington County for property tax purposes. However, FDIC officials told us that they do not review the annual operating cost data submitted to Arlington County for trends.

Without defined processes to identify, obtain, and analyze SRC-related operating costs and utilization data, the FDIC is limited in its ability to generate meaningful insights to support decision making for the current and future use and operations of the SRC. Implementing data-

¹⁶ Purchase card data prior to September 2022 was not available for OIG analysis.



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driven decision making related to SRC current and future operations would help ensure that the FDIC optimizes and effectively manages this real property asset.

Recommendation 2:

We recommend the **Director, Division of Administration**, establish and execute a data-driven decision-making process for the current and future use of the Student Residence Center and its operations. At a minimum, this process should:

- a. Identify and centralize sources of Student Residence Center-related financial and non-financial data across the FDIC, as appropriate.
- b. Utilize and analyze financial and non-financial data identified to inform Student Residence Center resource allocation decisions to achieve the best value.

The FDIC Lacks SRC-Specific Performance Goals and Objectives

The FDIC has not determined organizational risks specifically related to operating the SRC because the Agency has not developed any formal long-term or short-term asset management-related performance goals or objectives for SRC operations or its management.¹⁷ As noted in the [Objective](#) section of this report, the FDIC's SRC operations have been subject to reputational risk in the form of media articles and Congressional attention, highlighting the need for the FDIC to address risks to the Agency's ability to fulfill its mission amid existing and emerging challenges.

According to FDIC Directive 4010.03, the FDIC's Enterprise Risk Management and Internal Control Program is used to identify, assess, and address risks (including emerging risks) that could adversely impact the Agency's ability to achieve its goals, objectives, and mission. One of the objectives of the program is to increase awareness of emerging risks and provide opportunities to address them before they occur. Further, ORMIC has a responsibility for "assisting Divisions/Offices to identify enterprise risks and related mitigations" through the implementation of FDIC Directive 4010.03. However, a DOA official stated they have not coordinated with ORMIC to identify, assess, and mitigate risks specifically related to SRC operations. Without a risk assessment process for SRC operations, the FDIC is limited in its ability to (1) proactively identify, analyze, and manage risks; (2) align efforts across FDIC Divisions and Offices; and (3) achieve goals and objectives.

¹⁷ However, a CSB official stated that DOA's informal goal for the SRC is that it is a well-maintained facility where repairs are made timely, rooms are kept clean, well-kept, and ready for guests.



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Recommendation 3:

We recommend the **Director, Division of Administration**, develop performance goals and objectives for the Student Residence Center, in alignment with the FDIC's mission, strategic plan, and performance goals.

Recommendation 4:

We recommend the **Director, Division of Administration** leverage FDIC Directive 4010.03, *Enterprise Risk Management and Internal Control Program* to identify, assess, and manage risks specifically related to achieving the Student Residence Center performance goals and objectives, and coordinate with the Office of Risk Management and Internal Controls, as necessary.

The FDIC's Recent Efforts Related to the SRC and Asset Management

To address reports of misbehavior related to the SRC, in December 2024, the FDIC established a Code of Conduct outlining the principles and expectations for professional conduct and ethical behavior for all employees and guests of the SRC. All guests are required to review and sign the Code of Conduct before being allowed to stay at the SRC. Among other things, the Code of Conduct states that guests are prohibited from using alcohol in common areas and that any form of misconduct or harassment is prohibited. Furthermore, violating the Code of Conduct may result in disciplinary action up to and including removal from federal service.

Additionally, in December 2024, the FDIC awarded a Basic Ordering Agreement for real estate broker services and, in June 2025, awarded a task order for a real estate strategic plan for FDIC headquarters owned real estate. In addition to other requirements, the contractor is to develop a current state and baseline analysis plan of the FDIC headquarters portfolio, including current and future state utilization, operating and capital costs, and identify cost reduction strategies. The contractor is also required to develop scenarios illustrating how to balance current FDIC real estate conditions with long-term needs and issues. Among other things, the scenarios are to include "determining the value of [the] Student Residence Center."

Executive Order 14222, *Implementing the President's "Department of Government Efficiency" Cost Efficiency Initiative* (February 2025) requires agencies, including the FDIC, to among other things, confirm updates were submitted to the Federal Real Property Profile Management System to ensure the system reflects a complete and accurate inventory of real property subject to the agency's administration. In May 2025, the FDIC uploaded real property data to the Federal Real Property Profile Management System in accordance with this Executive Order. Additionally, in August 2025, the FDIC developed and implemented Standard Operating Procedures regarding how to review, gather, and upload asset information on an annual basis into the Federal Real Property Profile Management System.



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Also, in June 2025, the FDIC launched Electronic Facilities Operations System Plus, an application designed to streamline facility, space, and capital improvements and provide the FDIC with centralized data for informed decision making. The system is intended to provide the FDIC with various asset management and capital project management capabilities that will allow the FDIC to assess and monitor asset lifecycle costs of its owned buildings, including the SRC, and perform cost estimations (maintenance, overhauls, replacement) by building and location. According to FDIC personnel, there are no plans at present to incorporate SRC occupancy data into Electronic Facilities Operations System Plus to track utilization but indicated this functionality could be explored.

FDIC COMMENTS AND OIG EVALUATION

On December 19, 2025, the FDIC Director, Division of Administration, provided a written response to a draft of this report, which is presented in its entirety in [Appendix 2](#). In its response the FDIC concurred with all four of the recommendations. The FDIC plans to complete all corrective actions by September 30, 2026.

We consider all four recommendations to be resolved. All recommendations in this report will remain open until we confirm that corrective actions have been completed and the actions are responsive. A summary of the FDIC's corrective actions is contained in [Appendix 3](#).



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APPENDIX 1: OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of this audit was to assess the Federal Deposit Insurance Corporation's (FDIC) efforts to determine the cost benefits of, and organizational risks associated with, operating the Student Residence Center (SRC).

We conducted this performance audit from April through September 2025. Issuance of this report was delayed because of the lapse in the OIG's appropriations that occurred from October 1, 2025, through November 12, 2025. We conducted this audit in accordance with the Government Accountability Office's (GAO) *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Scope and Methodology

To address the objective, we reviewed relevant FDIC policies, procedures, and guidance, including:

- FDIC Directive 4010.03, *Enterprise Risk Management and Internal Control Program* (March 2024);
- FDIC Directive 4000.02, *Cost Management* (November 2022);
- FDIC Directive 1800.06, *Special Events and Hospitality* (December 2024); and
- FDIC Standard Operating Procedure, *Real Estate Property Tax Payments*.

In addition, we reviewed Federal laws and regulations, as well as best practices related to real property management, including:

- Executive Order 14222, *Implementing the President's "Department of Government Efficiency" Cost Efficiency Initiative* (February 26, 2025);
- Executive Order 13327, *Federal Real Property Asset Management* (February 4, 2004);
- Title 41, Code of Federal Regulations, Chapter 102, *Federal Management Regulation*; and
- *Federal Real Property Asset Management: Agencies Could Benefit from Additional Information on Leading Practices* (GAO-19-57) (November 2018).



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Work Related to Internal Controls

We determined that four of five internal control components cited in GAO's *Standards for Internal Control in the Federal Government* – Risk Assessment, Control Activities, Information and Communication, and Monitoring – were significant to the audit objective.¹⁸

The Risk Assessment component assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

The Control Activities component includes the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system.

The Information and Communication component relates to the quality information that management and personnel communicate and use to support the internal control system.

The Monitoring component relates to activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

We also concluded that nine of the principles related to the selected components were significant to the audit objective as described in **Table 2**.

Table 2: Internal Control Components and Principles Identified as Significant

Components	Principles
Risk Assessment	Define objectives and risk tolerances
	Identify, analyze, and respond to risks
	Identify, analyze, and respond to change
Control Activities	Design control activities
	Implement control activities
Information and Communication	Use quality information
	Communicate internally
	Communicate externally
Monitoring	Perform monitoring activities

Source: OIG analysis of internal control components and principles.

¹⁸ GAO-14-705G (September 2014), effective through the end of fiscal year 2025. The GAO's 2025 revision of *Standards for Internal Control in the Federal Government* is effective beginning with fiscal year 2026.

We interviewed FDIC officials and reviewed documents to obtain an understanding of the internal controls related to the components and principles identified as significant for this audit. We performed procedures to assess the design, implementation, and operating effectiveness of key internal controls. Specifically, we:

- Reviewed FDIC policies and procedures to obtain information related to: (1) the acquisition, management, utilization, and disposal of real property; (2) the development and monitoring of objectives, performance goals, and related performance measures and targets associated with SRC operations; and (3) the processes for identifying and mitigating risks related to the SRC.
- Interviewed individuals from the Division of Administration and Division of Finance to determine their specific roles and responsibilities related to: the acquisition, management, utilization, and disposal of real property; and determining the cost benefits of, and organizational risks associated with the SRC.
- Reviewed and assessed FDIC travel-related records and SRC occupancy data for calendar years 2019 through 2024 to determine the extent to which FDIC personnel utilized non-SRC lodging when traveling to the Washington, D.C. region. The FDIC maintains financial transaction records for six years in accordance with its record retention schedule; therefore, we limited our review of FDIC travel-related data to calendar years 2019 through 2024.
- Reviewed the FDIC's Risk Profile and Risk Inventory as of May 2025 to determine if there were any Agency-identified risks related to the audit objective.
- Reviewed FDIC data reported to Arlington County on Income & Expense Questionnaire Reports for calendar years 2019 through 2024, FDIC-generated Operations and Maintenance Reports for years 2022 through 2024, and contractor-generated Operating Statements for years 2019 through 2024 to identify SRC-related costs.

Internal control deficiencies identified during the audit that are significant within the context of the audit objective are presented in the Results section of this report.

Computer Processed Data/Data Reliability

We determined that information system controls were not significant to the audit objective and, therefore, we did not evaluate the overall effectiveness of information system controls. We corroborated information to support our audit conclusions with information from various sources, including documentary and testimonial evidence.



The FDIC's Student Residence Center

Prior Office of Inspector General Reports

We considered the following recent FDIC Office of Inspector General audit and evaluation reports related to the FDIC's Virginia Square campus:

- [*Security of Critical Building Services at FDIC-owned Facilities \(Report No. AUD-21-003\) \(March 2021\)*](#) assessed whether the FDIC had effective controls and practices to protect electrical power, HVAC, and water services at its Virginia Square facility. The audit also assessed compliance with key security provisions in the FDIC's Facilities Management Contract. We found that the FDIC did not subject the three information systems we reviewed to the National Institute of Standards and Technology's Risk Management Framework as required by Office of Management and Budget policy. We identified ineffective security controls for all three systems. The FDIC also did not maintain signed Confidentiality Agreements for the facilities management contractor and its subcontractor personnel working at the Virginia Square facility. As a result, the FDIC had reduced assurance that contractor personnel would understand obligations to handle and safeguard sensitive information. In addition, the FDIC did not ensure that all the facilities management contractor and its subcontractor personnel had completed required information security and insider threat training. This weakness increased the risk of a security incident not being timely detected or reported.
- [*The FDIC's Physical Security Risk Management Process \(Report No. EVAL-19-001\) \(April 2019\)*](#) assessed the extent to which the FDIC's physical security risk management process met Federal standards and guidelines. We found that the FDIC had not established an effective physical security risk management process to ensure that it met Interagency Security Committee standards and guidelines. While the FDIC had not identified any major incidents or threats to its facilities, we found that the FDIC's physical security risk management process needed improvement. Decisions regarding facility security risks and countermeasures were frequently undocumented and not guided by defined policy or procedure. As a result, the FDIC did not conduct key activities in a timely or thorough manner for determining security risk level, assessing security protections in the form of countermeasures, mitigating and accepting risk, and measuring program effectiveness.



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APPENDIX 2: FDIC COMMENTS



MEMO

TO: Jason Yovich
Acting Assistant Inspector General, Audits, Evaluations & Cyber
Office of Inspector General

FROM: Jennifer Schoen
Director, Division of Administration

DATE: December 19, 2025

RE: Management Response to the Draft Audit Report Entitled, *The FDIC's Student Residence Center*
(No. 2025-004)

JENNIFER
SCHOEN

Digitally signed by
JENNIFER SCHOEN
Date: 2025.12.19
12:35:49 -05'00'

Thank you for the opportunity to review and comment on the subject draft audit report (The FDIC's Student Residence Center) issued by the Office of Inspector General (OIG) on November 25, 2025. The objective of the audit was to determine the cost benefits of, and organizational risks associated with, operating the Student Residence Center (SRC). The OIG made four recommendations in its report. The FDIC concurs with all four recommendations. This memo presents the FDIC's proposed corrective action for each recommendation and estimated completion dates.

Specifically, the OIG's report identified weaknesses in the FDIC's strategic management of the SRC, including a need to identify goals and objectives for the SRC and more methodically monitor and manage its operation and related risks through analysis of financial and non-financial data. The OIG also identified the need to develop asset management processes and procedures that would apply to the SRC.

The SRC is co-located with the FDIC's Virginia Square Headquarters, and FDIC training facilities. Lodging visitors at the SRC instead of a non-FDIC owned and controlled facility allows the FDIC to provide a safe, secure, and positive experience for its guests. The availability of the on-site SRC facilitates structured development programs, like the FDIC's financial institution training, by making logistics simpler and the experience more consistent for trainees. The FDIC appreciates the OIG's recommendations and is committed to exercising prudent financial stewardship and resource management related to the SRC while continuing to provide a safe, positive training environment. The actions that the FDIC will take in response to the OIG's recommendations in the subject report will assist in this endeavor.

Recommendation 1:

That the Director, Division of Administration, develop and finalize processes and procedures for real property asset management-related activities, to include acquisition, management, utilization, and disposal of owned real property.

Management Decision: Concur

The Division of Administration will develop and implement procedures for real property asset management-related activities, including acquisition, management, utilization, and disposal of owned real property.

MEMO

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Estimated Completion Date: 6/30/2026

Recommendation 2:

That the Director, Division of Administration, establish and execute a data-driven decision-making process for the current and future use of the Student Residence Center and its operations. At a minimum, this process should:

- a. Identify and centralize sources of Student Residence Center-related financial and non-financial data across the FDIC, as appropriate.
- b. Utilize and analyze financial and non-financial data identified to inform Student Residence Center resource allocation decisions to achieve the best value.

Management Decision: Concur

Corrective Action: The Division of Administration will identify, centralize, and analyze sources of Student Residence Center-related financial and non-financial data to inform decisions on its operation in alignment with related performance goals and objectives, to include prudent financial stewardship and resource management.

Estimated Completion Date: 9/30/2026

Recommendation 3:

That the Director, Division of Administration, develop performance goals and objectives for the Student Residence Center, in alignment with the FDIC's mission, strategic plan, and performance goals.

Management Decision: Concur

Corrective Action: The Division of Administration will develop goals and objectives for the Student Residence Center that are in alignment with the FDIC's mission, strategic plan, and performance goals. These goals and objectives will inform the management of related risks and the identification and analysis of Student Residence Center-related financial and non-financial data.

Estimated Completion Date: 3/31/2026

Recommendation 4:

That the Director, Division of Administration leverage FDIC Directive 4010.03, *Enterprise Risk Management and Internal Control Program* to identify, assess, and manage risks specifically related to achieving the Student Residence Center performance goals and objectives, and coordinate with the Office of Risk Management and Internal Controls, as necessary.

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The FDIC's Student Residence Center



Management Decision: Concur

Corrective Action: The Division of Administration will follow established FDIC risk management approaches to identify, assess, and manage risks specifically related to achieving the Student Residence Center goals and objectives. The Division will coordinate with the Office of Risk Management and Internal Controls, as necessary.

Estimated Completion Date: 9/30/2026

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APPENDIX 3: SUMMARY OF THE FDIC'S CORRECTIVE ACTIONS

This table presents management's response to the recommendations in the report and the status of the recommendations as of the date of report issuance.

Rec. No.	Corrective Action: Taken or Planned	Expected Completion Date	Monetary Benefits	Resolved: ^a Yes or No	Open or Closed ^b
1	The Division of Administration will develop and implement procedures for real property asset management-related activities, including acquisition, management, utilization, and disposal of owned real property.	June 30, 2026	\$0	Yes	Open
2	The Division of Administration will identify, centralize, and analyze sources of Student Residence Center-related financial and non-financial data to inform decisions on its operation in alignment with related performance goals and objectives, to include prudent financial stewardship and resource management.	September 30, 2026	\$0	Yes	Open
3	The Division of Administration will develop goals and objectives for the Student Residence Center that are in alignment with the FDIC's mission, strategic plan, and performance goals. These goals and objectives will inform the management of related risks and the identification and analysis of Student Residence Center-related financial and non-financial data.	March 31, 2026	\$0	Yes	Open
4	The Division of Administration will follow established FDIC risk management approaches to identify, assess, and manage risks specifically related to achieving the Student Residence Center goals and objectives. The Division will coordinate with the Office of Risk Management and Internal Controls, as necessary.	September 30, 2026	\$0	Yes	Open

^a Recommendations are resolved when —

1. Management concurs with the recommendation, and the OIG agrees the planned corrective action is consistent with the recommendation.
2. Management does not concur or partially concurs with the recommendation, but the OIG agrees that the proposed corrective action meets the intent of the recommendation.



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3. For recommendations that include monetary benefits, management agrees to the full amount of OIG monetary benefits or provides an alternative amount and the OIG agrees with that amount.

^b Recommendations will be closed when the OIG confirms that corrective actions have been completed and are responsive.



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APPENDIX 4: ACRONYMS AND ABBREVIATIONS

CSB	Corporate Services Branch
DOA	Division of Administration
FDIC	Federal Deposit Insurance Corporation
GAO	Government Accountability Office
OIG	Office of Inspector General
ORMIC	Office of Risk Management and Internal Controls
SRC	Student Residence Center



Federal Deposit Insurance Corporation

Office of Inspector General

3501 Fairfax Drive
Room VS-E-9068
Arlington, VA 22226
(703) 562-2035



The OIG's mission is to prevent, deter, and detect waste, fraud, abuse, and misconduct in FDIC programs and operations; and to promote economy, efficiency, and effectiveness at the agency.

To report allegations of waste, fraud, abuse, or misconduct regarding FDIC programs, employees, contractors, or contracts, please contact us via our [Hotline](#) or call 1-800-964-FDIC.

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