



# Office of Inspector General

December 3, 2004  
Supplement to Evaluation Report No. 04-039  
Dated September 23, 2004

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## FDIC's Capital Investment Management Review Process for Information Technology Investments

**\*\*This is Not an Evaluation Report.\*\***

This supplement contains copies of correspondence between the Office of Inspector General (OIG) and the Chief Financial Officer and Chief Information Officer subsequent to the issuance of Evaluation Report No: 04-039, dated September 23, 2004. The intent of this supplement is to show progress made on the resolution of conditions identified at the time the OIG issued the final report.



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## **I. OIG Assessment of Management Response to the Final Report**



**DATE:** December 3, 2004

**TO:** Steven O. App  
Deputy to the Chairman and  
Chief Financial Officer

Michael E. Bartell  
Chief Information Officer and  
Director, Division of Information Resources Management

**FROM:** Russell A. Rau  
Assistant Inspector General for Audits

**SUBJECT:** Assessment of the Corporation's Response to Final Report Entitled  
*FDIC's Capital Investment Management Review Process for  
Information Technology Investments* (Report No. 04-039)

We received your memorandum on October 15, 2004, which responds to the subject final report. In that report, we requested that you reconsider recommendation 4 to update *FDIC Capital Investment Policy* requirements for the independent validation of quarterly project assessments.

In your response, you reiterated your position that current procedures provide for the adequate validation of quarterly project assessments. Specifically, the multi-level review that the quarterly assessments undergo is sufficiently documented in the *FDIC Capital Investment Policy*. Moreover, in determining your position, you considered the fact that the Division of Information Resources Management (DIRM) is in the midst of a major transformation effort. Finally, you indicated that reallocating resources to make additional modifications to a policy that you consider adequate is not consistent with your current mission priorities.

The intent of this recommendation was to ensure that existing control requirements for the review of quarterly assessment reports are clearly documented. The *FDIC Capital Investment Policy* is clear with respect to the following:

- The project manager is required to submit a quarterly assessment report to the Capital Investment Review Committee (CIRC) and Board of Directors, outlining the project's current status.
- Responsibility for assessing the performance of a project (i.e., reviewing the quarterly report) rests with its executive sponsor and executive steering committee, not the project manager.
- The CIRC is the final authority for approving all project assessments.

Additional controls appear to exist based on our discussion with program officials, but these controls are not sufficiently documented. Specifically, as discussed in the report, DIRM's Investment Management Branch (IMB) and the CFO also have roles in reviewing the adequacy and consistency of quarterly assessment reports, but the roles and responsibility of the IMB and CFO are not adequately described in the *FDIC Capital Investment Policy*. Additionally, through discussions with program officials, we understand that Office of Enterprise Risk Management staff also participate on executive steering committees.

We recognize that DIRM is in the process of a major transformation effort and is facing substantial staffing reductions. DIRM has also recently adopted the Rational Unified Process (RUP) system development life-cycle model and is establishing a project management office. Both of these initiatives should result in additional oversight and control mechanisms for corporate projects. Given that the fundamental review requirements are addressed in the existing policy and that additional controls are being developed and are subject to change as a result of the DIRM transformation efforts, we agree that further action is not required at this time. Accordingly, we consider recommendation 4 resolved, dispositioned, and closed for reporting purposes. We intend, however, to evaluate this issue in future reviews.

Should you have any questions concerning the report, please contact me at (202) 416-2543 or Marshall Gentry, Director, Corporate Evaluations, Office of Audits, at (202) 416-2919.

## **II. Management Response to the Final Report**



Federal Deposit Insurance Corporation  
3501 Fairfax Drive, Arlington, VA 22226-3500

Co-Chairmen Capital Investment Review Committee

**TO:** Russell A. Rau  
Assistant Inspector General for Audits  
Office of Inspector General

**FROM:** Steven O. App [Electronically produced version;  
Deputy to the Chairman and original signed Steven O. App]  
Chief Financial Officer

Michael E. Bartell [Electronically produced version;  
Chief Information Officer and original signed by Steven P. Anderson  
Director, Division of Information Resources Management for Michael E. Bartell]

**SUBJECT:** *FDIC's Capital Investment Management Review Process for  
Information Technology Investments (Report No. 04-039)  
Management Reconsideration of Recommendation #4*

As per your September 30, 2004 transmittal of the subject final audit report, the FDIC has reconsidered the response to recommendation #4. We remain convinced that current procedures provide for adequate independent validation of quarterly project assessments. We also believe that the multi-level review that these quarterly assessments undergo now, the independence that already exists given the make-up of the typical project steering committee, and the final approval authority that is documented and resident with the CIRC is sufficiently documented in our FDIC Capital Investment Policy.

In addition, it is also important to note that as part of our review of this recommendation, management had to take into consideration the fact that DIRM is in the process of a major transformation effort. As a result, there will be substantial organizational changes that will occur in 2005. To be most effective during this time of significant change, DIRM is deferring all non-essential work and is focusing all of its efforts on CIRC projects, steady state projects, and all work deemed "mission critical" by management. Reallocating resources to make additional modifications to an existing policy, that we believe is adequate, is not consistent with our current mission priorities.

Note: This memorandum was received by the OIG on October 15, 2004.