

SUPPORTING STATEMENT
Annual Independent Audits and Reporting Requirements (Part 363)
(OMB Control No. 3064-0113)

INTRODUCTION

The Federal Deposit Insurance Corporation (FDIC) is requesting a three-year renewal of the information collection titled, “Annual Independent Audits and Reporting Requirements” (3064-0113) imposed by Section 36 of the Federal Deposit Insurance Act (FDI Act) and the FDIC’s implementing regulations found at 12 CFR Part 363. This information collection expires on October 31, 2019. There is no change in the method or substance of the collection. However, the FDIC has reviewed its previous PRA submission and reassessed its burden hours associated with responding to the existing information collection.

A. JUSTIFICATION

1. Circumstances that make the collection necessary:

Section 36 of the Federal Deposit Insurance Act (FDI Act) and the FDIC’s implementing regulations (Part 363) are generally intended to facilitate early identification of problems in financial management at insured depository institutions with total assets above certain thresholds through annual independent audits, assessments of the effectiveness of internal control over financial reporting and compliance with designated laws and regulations, the establishment of independent audit committees, and related reporting requirements. The asset-size threshold for internal control assessments and certain audit committee membership requirements is \$1 billion and the threshold for the other requirements is \$500 million. Given changes in the industry; certain sound audit, reporting, and audit committee practices incorporated in the Sarbanes-Oxley Act of 2002 (SOX); and the FDIC’s experience in administering Part 363 of its regulations, the FDIC last amended Part 363 in June 2009 to further the objectives of Section 36 by incorporating these sound practices into Part 363 and to provide clearer and more complete guidance to institutions and independent public accountants concerning compliance with the requirements of Section 36 and Part 363.

2. Use of the information:

The currently approved collection of information requires each insured depository institution that has consolidated total assets of \$500 million or more to:

- (1) file an annual report with the FDIC and its appropriate federal and state banking regulators that includes audited financial statements, a statement of management’s responsibilities, and an assessment by management of compliance with designated laws and regulations,
- (2) notify the FDIC when it selects or changes its independent public accountant, and

- (3) file any management letter, qualification, and other report issued by the independent public accountant pertaining to its financial reporting.

In addition, the annual report filed by an insured depository institution that has total assets of \$1 billion or more must include an assessment by management of the effectiveness of internal control over financial reporting and an auditor's report on internal control over financial reporting.

An interagency Policy Statement on External Auditing Programs of Banks and Savings Associations was approved on October 15, 1999. The Policy Statement encourages institutions with assets less than \$500 million to adopt an annual external auditing program, preferably a financial statement audit by an independent public accountant.

- a. Insured Institutions with consolidated total assets of \$500 million or more.

The information collected in the Part 363 Annual Report, other reports, and the notice of selection or change in accountant is used by the FDIC and other federal and state banking agencies for supervisory/surveillance, regulatory, and informational purposes. The information is used in the offsite evaluation of the institutions and to determine the frequency and scope of examinations. The Part 363 Annual Reports are also available to the public.

- b. Insured Institutions with assets less than \$500 million.

The information provided in the external auditor's report and the notice of selection or change in external auditor is used by the FDIC and other federal and state banking agencies for supervisory/ surveillance, regulatory, and informational purposes. The information is used in the offsite evaluation of the institutions and to determine the frequency and scope of examinations.

3. Consideration of the use of improved information technology:

Respondents may use any information technology that permits review by FDIC examiners.

4. Efforts to identify duplication:

- a. Insured Institutions with assets of \$500 million or more.

The collection requirements parallel the statutory language of Section 36. Much of the information in the Part 363 Annual Report and notice of selection or change in accountant is currently required to be filed by institutions and holding companies registered under the Securities Exchange Act of 1934 (public companies) with the appropriate federal banking agency or the Securities and Exchange Commission (SEC). The requirements of Part 363 were developed so that institutions that are public companies or subsidiaries of public companies will

be able to file identical information with the SEC and the FDIC, supplemented by the additional information required by the differing statutory mandates.

b. Insured Institutions with assets of less than \$500 million.

For institutions registered under the Securities Exchange Act of 1934 with the appropriate federal banking agency, the information requested, such as the auditor's report and any notice of selection or change in accountant, is currently required to be filed. Other institutions are requested to submit the report that they obtain from the performance of their external auditing program and a notice of any change in auditors. However, they are not required to file any specific type of report, and may use the report required by the state or their by-laws under certain circumstances.

5. Methods used to minimize burden if the collection has a significant impact on a substantial number of small entities:

This collection does not have a significant impact on a substantial number of small entities. In particular, according to Call Report data as of March 31, 2019, there were 3,465 FDIC-supervised institutions. Only 129 of these FDIC-supervised institutions are subject to the recordkeeping, reporting, or disclosure burdens of this information collection and have total assets of less than \$600 million therefore meeting the Small Business Administration's definition of a "small entity."

6. Consequences to the Federal program if the collection were conducted less frequently:

The frequency of collection is consistent with the statutory mandate in Section 36 of the FDI Act. Less frequent collection would result in non-compliance with the law. For institutions that are not subject to Section 36, an annual external auditing program is consistent with longstanding commercial practices in the banking industry.

7. Special circumstances necessitating collection inconsistent with 5 CFR Part 1320.5(d)(2):

There are no special circumstances. This information collection is conducted in accordance with the guidelines in 5 CFR 1320.5(d)(2).

8. Efforts to consult with persons outside the agency:

On September 19, 2019 (84 FR 49299), the FDIC solicited public comment for a 60-day period on the renewal of the collection of information entitled "Annual Independent Audits and Reporting Requirements" (OMB No. 3064-0113). No comments were received.

9. Payments or gifts to respondents:

None.

10. Any assurance of confidentiality:

Part 363 Annual Reports are available to the public. Other reports and notices filed under Part 363 and reports and notices filed under the Policy Statement are afforded confidential treatment. The FDIC will ensure that information will be kept private to the extent allowed by law. Any information deemed to be of a confidential nature would be exempt from public disclosure in accordance with the provisions of the Freedom of Information Act (5 U.S.C. 552).

11. Justification for questions of a sensitive nature:

None.

12. Estimate of hour burden including annualized hourly costs:

2019 Summary of Annual Burden (3064-0113)

Information Collection (IC) Description	Type of Burden	Obligation to Respond	Estimated Number of Respondents	Estimated Frequency of Responses	Estimated Time per Response	Total Annual Estimated Burden
FDIC Supervised Institutions with \$10B or More in Total Assets						
Annual Report (Recordkeeping)	Recordkeeping	Mandatory	45	1	150.00	6,750.00
Annual Report (Reporting)	Reporting	Mandatory	45	1	150.00	6,750.00
Audit Committee Composition (Recordkeeping)	Recordkeeping	Mandatory	45	1	3.00	135.00
Audit Committee Composition (Reporting)	Reporting	Mandatory	45	1	3.00	135.00
Filing of Other Reports (Recordkeeping)	Recordkeeping	Mandatory	45	1	0.13	5.63
Filing of Other Reports (Reporting)	Reporting	Mandatory	45	1	0.13	5.63
Notice of Change in Accountants (Recordkeeping)	Recordkeeping	Mandatory	11	1	0.25	2.75
Notice of Change in Accountants (Reporting)	Reporting	Mandatory	11	1	0.25	2.75
						13,786.75
FDIC Supervised Institutions with \$3B - \$10B in Total Assets						
Annual Report (Recordkeeping)	Recordkeeping	Mandatory	104	1	125.00	13,000.00
Annual Report (Reporting)	Reporting	Mandatory	104	1	125.00	13,000.00
Audit Committee Composition (Recordkeeping)	Recordkeeping	Mandatory	104	1	3.00	312.00
Audit Committee Composition (Reporting)	Reporting	Mandatory	104	1	3.00	312.00
Filing of Other Reports (Recordkeeping)	Recordkeeping	Mandatory	104	1	0.13	13.00
Filing of Other Reports (Reporting)	Reporting	Mandatory	104	1	0.13	13.00
Notice of Change in Accountants (Recordkeeping)	Recordkeeping	Mandatory	26	1	0.25	6.50
Notice of Change in Accountants (Reporting)	Reporting	Mandatory	26	1	0.25	6.50
						26,663.00
FDIC Supervised Institutions with \$1B - \$3B in Total Assets						
Annual Report (Recordkeeping)	Recordkeeping	Mandatory	267	1	100.00	26,700.00
Annual Report (Reporting)	Reporting	Mandatory	267	1	100.00	26,700.00
Audit Committee Composition (Recordkeeping)	Recordkeeping	Mandatory	267	1	2.00	534.00
Audit Committee Composition (Reporting)	Reporting	Mandatory	267	1	2.00	534.00
Filing of Other Reports (Recordkeeping)	Recordkeeping	Mandatory	267	1	0.13	33.38
Filing of Other Reports (Reporting)	Reporting	Mandatory	267	1	0.13	33.38
Notice of Change in Accountants (Recordkeeping)	Recordkeeping	Mandatory	67	1	0.25	16.75
Notice of Change in Accountants (Reporting)	Reporting	Mandatory	67	1	0.25	16.75
						54,568.25
FDIC Supervised Institutions with \$500M - \$1B in Total Assets						
Annual Report (Recordkeeping)	Recordkeeping	Mandatory	400	1	12.50	5,000.00
Annual Report (Reporting)	Reporting	Mandatory	400	1	12.50	5,000.00
Audit Committee Composition (Recordkeeping)	Recordkeeping	Mandatory	400	1	1.00	400.00
Audit Committee Composition (Reporting)	Reporting	Mandatory	400	1	1.00	400.00
Filing of Other Reports (Recordkeeping)	Recordkeeping	Mandatory	400	1	0.13	50.00
Filing of Other Reports (Reporting)	Reporting	Mandatory	400	1	0.13	50.00
Notice of Change in Accountants (Recordkeeping)	Recordkeeping	Mandatory	100	1	0.25	25.00
Notice of Change in Accountants (Reporting)	Reporting	Mandatory	100	1	0.25	25.00
						10,950.00
FDIC Supervised Institutions with Less Than \$500M in Total Assets						
Filing of Other Reports (Recordkeeping)	Recordkeeping	Mandatory	2,649	1	0.25	662.25
Filing of Other Reports (Reporting)	Reporting	Mandatory	2,649	2	0.25	1,324.50
						1,986.75
TOTAL HOURLY BURDEN						107,954.75

Annualized Cost of Internal Hourly Burden:

Using the estimates for total burden hours and the adjusted hourly labor costs seen below, the total estimated annual cost burden of this information collection is \$7,618,913.81 per year.

2019 Summary of Internal Cost (3064-0113)												
Category of Personnel Responsible for Complying with the PRA Burden	Total Annual Estimated Burden	Estimated Weights					Total Estimated Hourly Compensation					Total Estimated Burden Hours by Weighted Hourly Compensation
		Chief Executives*	Lawyers**	Compliance Officer***	Financial Managers*	Bookkeeping, Accounting, and Auditing Clerks†	Chief Executives*	Lawyers**	Compliance Officer***	Financial Managers*	Bookkeeping, Accounting, and Auditing Clerks†	
FDIC Supervised Institutions with \$10B or More in Total Assets												
Annual Report (Recordkeeping)	6,750.00	15%	5%	5%	25%	50%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$442,675.13
Annual Report (Reporting)	6,750.00	30%	5%	5%	20%	40%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$514,198.13
Audit Committee Composition (Recordkeeping)	135.00	15%	5%	5%	25%	50%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$8,853.50
Audit Committee Composition (Reporting)	135.00	30%	5%	5%	20%	40%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$10,283.96
Filing of Other Reports (Recordkeeping)	5.63	50%	5%	5%	20%	20%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$527.14
Filing of Other Reports (Reporting)	5.63	50%	5%	5%	20%	20%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$527.14
Notice of Change in Accountants (Recordkeeping)	2.75	60%	5%	5%	15%	15%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$274.80
Notice of Change in Accountants (Reporting)	2.75	60%	5%	5%	15%	15%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$274.80
FDIC Supervised Institutions with \$3B - \$10B in Total Assets												
Annual Report (Recordkeeping)	12,750.00	15%	5%	5%	25%	50%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$836,164.13
Annual Report (Reporting)	12,750.00	30%	5%	5%	20%	40%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$971,263.13
Audit Committee Composition (Recordkeeping)	306.00	15%	5%	5%	25%	50%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$20,067.94
Audit Committee Composition (Reporting)	306.00	30%	5%	5%	20%	40%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$23,310.32
Filing of Other Reports (Recordkeeping)	12.75	50%	5%	5%	20%	20%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$1,194.85
Filing of Other Reports (Reporting)	12.75	50%	5%	5%	20%	20%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$1,194.85
Notice of Change in Accountants (Recordkeeping)	6.50	60%	5%	5%	15%	15%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$649.52
Notice of Change in Accountants (Reporting)	6.50	60%	5%	5%	15%	15%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$649.52
FDIC Supervised Institutions with \$1B - \$3B in Total Assets												
Annual Report (Recordkeeping)	26,300.00	15%	5%	5%	25%	50%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$1,724,793.45
Annual Report (Reporting)	26,300.00	30%	5%	5%	20%	40%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$2,003,468.25
Audit Committee Composition (Recordkeeping)	526.00	15%	5%	5%	25%	50%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$34,495.87
Audit Committee Composition (Reporting)	526.00	30%	5%	5%	20%	40%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$40,069.37
Filing of Other Reports (Recordkeeping)	32.88	50%	5%	5%	20%	20%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$3,080.83
Filing of Other Reports (Reporting)	32.88	50%	5%	5%	20%	20%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$3,080.83
Notice of Change in Accountants (Recordkeeping)	16.50	60%	5%	5%	15%	15%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$1,648.77
Notice of Change in Accountants (Reporting)	16.50	60%	5%	5%	15%	15%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$1,648.77
FDIC Supervised Institutions with \$500M - \$1B in Total Assets												
Annual Report (Recordkeeping)	4,975.00	15%	5%	5%	25%	50%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$326,267.96
Annual Report (Reporting)	4,975.00	30%	5%	5%	20%	40%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$378,983.06
Audit Committee Composition (Recordkeeping)	398.00	15%	5%	5%	25%	50%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$26,101.44
Audit Committee Composition (Reporting)	398.00	30%	5%	5%	20%	40%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$30,318.65
Filing of Other Reports (Recordkeeping)	49.75	50%	5%	5%	20%	20%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$4,662.25
Filing of Other Reports (Reporting)	49.75	50%	5%	5%	20%	20%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$4,662.25
Notice of Change in Accountants (Recordkeeping)	25.00	60%	5%	5%	15%	15%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$2,498.14
Notice of Change in Accountants (Reporting)	25.00	60%	5%	5%	15%	15%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$2,498.14
FDIC Supervised Institutions with Less Than \$500M in Total Assets												
Filing of Other Reports (Recordkeeping)	662.25	60%	5%	5%	15%	15%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$66,175.66
Filing of Other Reports (Reporting)	1,324.50	60%	5%	5%	15%	15%	\$119.67	\$152.94	\$64.23	\$83.11	\$31.99	\$132,351.32
Total Estimated Cost Burden (per year)												\$7,618,913.81

13. Estimate of start-up costs to respondents:

None.

14. Estimate of annualized costs to the government:

None.

15. Analysis of change in burden:

The annual burden for this information collection is estimated to be 107,955 hours. This represents an increase of 14,822 hours from the current burden estimate of 93,133 hours. This increase is not due to any new requirements imposed by the FDIC. Rather, it is due to FDIC's reassessment of the burden hours associated with responding to the existing information collection.

Note: Since the publication of the 30-day notice, the estimates regarding the time per response have changed as a result of additional analysis. This yields a higher burden amount, despite a reduction in respondents.

16. Information regarding collections whose results are planned to be published for statistical use:

No publication will be made of this information.

17. Display of expiration date:

Not applicable.

18. Exceptions to Certification

None.

B. Collection of Information Employing Statistical Methods

Not Applicable.