OFFICE OF INSPECTOR GENERAL

March 2, 2016

2016-FMIC-B-003

Federal Financial Institutions Examination Council Financial Statements as of and for the Years Ended December 31, 2015 and 2014, and Independent Auditors' Reports

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU

OFFICE OF INSPECTOR GENERAL
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU
WASHINGTON, DC 20551

March 2, 2016

Federal Financial Institutions Examination Council
3501 Fairfax Drive, B-7081a
Arlington, VA 22226-3550

Dear Members of the Federal Financial Institutions Examination Council:

This letter transmits the Independent Auditors' Report prepared by KPMG LLP (KPMG) on the Federal Financial Institutions Examination Council's (FFIEC) financial statements. The Office of Inspector General contracted with KPMG to audit the financial statements of the FFIEC as of and for the year ended December 31, 2015. The accompanying financial statements as of and for the year ended December 31, 2014, were audited by a different independent audit firm.

The contract requires the audit to be performed in accordance with the auditing standards generally accepted in the United States of America and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The Office of Inspector General reviews and monitors the work of KPMG to ensure compliance with *Government Auditing Standards* and the contract. KPMG is responsible for the accompanying Independent Auditors' Report, the Report on Internal Control Over Financial Reporting, and the Report on Compliance and Other Matters, all dated March 1, 2016.

We do not express an opinion on the FFIEC's financial statements. In addition, we do not draw conclusions on the Report on Internal Control Over Financial Reporting or the Report on Compliance and Other Matters.

Sincerely,

Mark Bialek
Inspector General

cc: Judith Dupre, Executive Secretary, FFIEC
Scott Alvarez, Chairman, FFIEC Legal Advisory Group, and General Counsel, Legal Division, Board of Governors of the Federal Reserve System
William Mitchell, Chief Financial Officer and Director, Division of Financial Management, Board of Governors of the Federal Reserve System

Federal Financial Institutions Examination Council

Financial Statements as of and for the Years
Ended December 31, 2015 and 2014, and
Independent Auditors' Reports

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

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KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

To the Federal Financial Institutions Examination Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the Federal Financial Institutions Examination Council (the "Council"), which comprise the balance sheet as of December 31, 2015, and the related statements of operations and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Federal Financial Institutions Examination Council as of December 31, 2015, and the results of its operations and cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

2014 Financial Statements

The accompanying financial statements of the Council as of December 31, 2014 and for the year then ended were audited by other auditors whose report, dated March 17, 2015, expressed an unmodified opinion on those financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2016 on our consideration of the Council's internal control over financial reporting and our report dated March 1, 2016 on our tests of its compliance with certain provisions of laws, regulations, and contracts, and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

KPMG LLP

March 1, 2016

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

BALANCE SHEETS
AS OF DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash	$ 532,824	$ 701,084
Accounts receivable from member agencies	1,299,861	705,340
Accounts receivable from non-member agencies — net	61,042	116,907
Prepaid Expense	735,000	-
Total current assets	2,628,727	1,523,331
NONCURRENT ASSETS:		
Equipment leased — net	148,205	195,007
Central Data Repository software — net	710,992	997,178
Home Mortgage Disclosure Act software — net	230,389	603,172
Total noncurrent assets	1,089,586	1,795,357
TOTAL ASSETS	$ 3,718,313	$ 3,318,688
LIABILITIES AND CUMULATIVE RESULTS OF OPERATIONS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities payable to member agencies	$ 503,599	$ 564,199
Accounts payable and accrued liabilities payable to non-member agencies	771,419	438,056
Accrued annual leave	63,783	56,415
Capital lease payable	48,290	47,348
Deferred revenue	1,058,290	764,868
Total current liabilities	2,445,381	1,870,886
LONG-TERM LIABILITIES:		
Capital lease payable	107,998	156,288
Deferred revenue	618,090	835,480
Deferred rent	(99)	-
Total long-term liabilities	725,989	991,768
Total liabilities	3,171,370	2,862,654
CUMULATIVE RESULTS OF OPERATIONS	546,943	456,034
TOTAL LIABILITIES AND CUMULATIVE RESULTS OF OPERATIONS	$ 3,718,313	$ 3,318,688

See notes to financial statements.

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
REVENUES:		
Assessments on member agencies	$ 819,935	$ 773,165
Central Data Repository	4,966,292	3,842,296
Home Mortgage Disclosure Act	3,357,402	4,063,765
Tuition	4,171,070	4,037,830
Community Reinvestment Act	1,012,801	1,104,290
Uniform Bank Performance Report	566,982	674,391
Total revenues	14,894,482	14,495,737
EXPENSES:		
Data processing	3,997,421	4,611,282
Professional fees	6,511,069	4,836,412
Salaries and related benefits	2,497,502	2,282,907
Depreciation, amortization, and net gains or losses on disposals	705,771	1,499,745
Rental of office space	322,205	264,989
Administration fees	303,000	245,000
Travel	306,995	512,824
Other seminar expenses	49,326	55,455
Rental and maintenance of office equipment	38,518	34,840
Office and other supplies	36,443	46,217
Printing	31,943	15,405
Miscellaneous	3,380	23,924
Total expenses	14,803,573	14,429,000
RESULTS OF OPERATIONS	90,909	66,737
CUMULATIVE RESULTS OF OPERATIONS — Beginning of year	456,034	389,297
CUMULATIVE RESULTS OF OPERATIONS — End of year	$ 546,943	$ 456,034

See notes to financial statements.

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Results of operations	$ 90,909	$ 66,737
Adjustments to reconcile results of operations to net cash provided by operating activities:		
Depreciation	627,679	1,502,906
Net loss (gain) on disposal of property and equipment	78,091	(3,161)
(Increase) decrease in assets:		
Accounts receivable from member agencies	(594,521)	384,807
Accounts receivable from non-member agencies	55,865	12,948
Prepaid expense and other assets	(735,000)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities payable to member agencies	(60,600)	(138,917)
Other accounts payable and accrued liabilities payable to non-member agencies	333,288	(339,704)
Accrued annual leave	7,368	13,312
Deferred revenue (current and non-current)	76,031	(690,917)
Deferred rent	(99)	(6,783)
Net cash from (used in) operating activities	(120,989)	801,228
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Capital expenditures	-	(688,280)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Capital lease payments	(47,271)	(38,011)
NET INCREASE (DECREASE) IN CASH	(168,260)	74,937
CASH BALANCE — Beginning of year	701,084	626,147
CASH BALANCE — End of year	$ 532,824	$ 701,084

See notes to financial statements.

1. ORGANIZATION AND PURPOSE

The Federal Financial Institutions Examination Council (the Council) was established under Title X of the Financial Institutions Regulatory and Interest Rate Control Act of 1978. The purpose of the Council is to prescribe uniform principles and standards for the federal examination of financial institutions and to make recommendations to promote uniformity in the supervision of these financial institutions. The Council has six voting members. The five federal agencies represented on the Council during 2015, referred to collectively as Member Agencies, are as follows:

- Board of Governors of the Federal Reserve System (FRB)
- Consumer Financial Protection Bureau (CFPB)
- Federal Deposit Insurance Corporation (FDIC)
- National Credit Union Administration (NCUA)
- Office of the Comptroller of the Currency (OCC)

In accordance with the Financial Services Regulatory Relief Act of 2006, a representative state regulator was added as a full voting member of the Council in October 2006.

The Council was given additional statutory responsibilities by Section 340 of the Housing and Community Development Act of 1980, Public Law 96-399. Among these responsibilities is the implementation of a system to facilitate public access to data that depository institutions must disclose under the Home Mortgage Disclosure Act of 1975 (HMDA) and the aggregation of annual HMDA data, by census tract, for each metropolitan statistical area.

The Council's financial statements do not include financial data for the Council's Appraisal Subcommittee (the Subcommittee). The Subcommittee was created pursuant to Public Law 101–73, Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. Although it is a subcommittee of the Council, the Appraisal Subcommittee maintains separate financial records and administrative processes. The Council is not responsible for any debts incurred by the Appraisal Subcommittee, nor are Appraisal Subcommittee funds available for use by the Council.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The Council prepares its financial statements in accordance with accounting principles generally accepted in the United States (GAAP).

Revenues — Assessments are made on member organizations to fund the Council's operations based on expected cash needs and are recognized as revenue in the period in which they are assessed. Amounts over- or under- assessed due to differences between assessments and actual expenses are presented in the "Cumulative Results of Operations" line item during the year and then may be used to offset or increase the next year's assessment. Deficits in "Cumulative Results of Operations" can be recouped in the following year's assessments.

The Council provides training seminars in the Washington, D.C. area and at locations throughout the country for member organizations, other federal agencies, and state organizations. The Council recognizes revenue from member agencies for the production and distribution of the Uniform Bank Performance Reports (UBPR) through the FDIC. Tuition and UBPR revenue are adjusted at year-end to match expenses incurred as a result of providing education classes and UBPR services. For differences between revenues and expenses, member agencies are assessed an additional amount or credited a refund based on each member's proportional cost for the Examiner Education and UBPR budget. The Council recognizes revenue from member agencies for expenses incurred related to the Community Reinvestment Act (CRA) processing system and the HMDA processing system.

Capital Assets — Equipment is recorded at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, which range from three to five years. Upon the sale or other disposition of a depreciable asset, the cost and related accumulated depreciation are removed and any gain or loss is recognized. The Central Data Repository (CDR) and the HMDA processing system, internally developed software projects, are recorded at cost less accumulated depreciation; unique useful lives are applied to these assets as appropriate.

Deferred Revenue — Deferred revenue includes cash collected and accounts receivable from member organizations to fund the development of CDR and the HMDA processing system. Revenue is recognized over the useful life of the software.

Deferred Rent — The lease for office and classroom space contains scheduled rent increases over the term of the lease. Scheduled rent increases must be considered in determining the annual rent expense to be recognized. The deferred rent represents the difference between the actual lease payments and the rent expense recognized.

Estimates — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates include useful lives of CDR and the HMDA processing system.

Allowance for Doubtful Accounts — Accounts receivable for non-members are shown net of the allowance for doubtful accounts. Accounts receivable considered uncollectible are charged against the allowance account in the year they are deemed uncollectible. The allowance for doubtful accounts is adjusted monthly, based upon a review of outstanding receivables.

Prepaid Expenses —The Council books expenses as prepaid for costs paid in advance that will be expensed with the passage of time or upon the occurrence of a triggering event in future periods.

Commitments and contingencies — Liabilities for loss contingencies arising from claims, assessments, litigation, and other sources are recorded when it is probable that a liability has been incurred and an amount can be reasonable estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Tax Exempt Status — The Council is not subject to state or local income taxes, and federal law does not impose tax on the Council's income.

Recently Issued Accounting Standards — In April 2015, the FASB issued ASU 2015-05, *Intangibles - Goodwill and Other - Internal Use Software (Subtopic 350-40) - Customer's Accounting for Fees Paid in a Cloud Computing Arrangement.* The amendments in this update provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. This update is effective for the Council for the year ending December 31, 2016 and is not expected to have a material effect on the Council's financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* The guidance is applicable to all contracts for the transfer of goods or services regardless of industry or type of transaction. This update requires recognition of revenue in a manner that reflects the consideration that the entity expects to receive in return for the transfer of goods or services to customers. In August 2015, the FASB issued 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date.* This update is effective for the Council for the year ending December 31, 2019 and is not expected to have a material effect on the Council's financial statements since the Council reports annually and satisfies all material performance obligations prior to year-end.

3. SELECTED TRANSACTIONS WITH MEMBER AGENCIES

	2015	2014
Accounts receivable:		
Board of Governors of the Federal Reserve System	$ 297,539	$ 132,125
Consumer Financial Protection Bureau	2,589	12,364
Federal Deposit Insurance Corporation	539,340	330,290
National Credit Union Administration	57,800	16,278
Office of the Comptroller of the Currency	402,593	214,283
	$1,299,861	$ 705,340
Accounts payable and accrued liabilities:		
Board of Governors of the Federal Reserve System	$ 223,553	$ 221,749
Consumer Financial Protection Bureau	4,331	4,905
Federal Deposit Insurance Corporation	164,650	117,666
National Credit Union Administration	32,482	25,427
Office of the Comptroller of the Currency	78,583	194,452
	$ 503,599	$ 564,199
Operations:		
Council operating expenses reimbursed by members	$ 819,935	$ 773,165
FRB-provided administrative support	$ 303,000	$ 245,000
FRB-provided data processing	$3,997,421	$4,611,282
Tuition revenue:		
Member tuition	4,019,020	3,801,635

The Council does not directly employ personnel, but rather member agencies detail personnel to support Council operations. These personnel are paid through the payroll systems of member agencies. Salaries and fringe benefits, including retirement benefit plan contributions, are reimbursed to these agencies. The Council does not have any post-retirement or post-employment benefit liabilities since Council personnel are included in the plans of the member agencies.

Member agencies are not reimbursed for the costs of personnel who serve as Council members and on the various task forces and committees of the Council. The value of these contributed services is not included in the accompanying financial statements.

In 2014, the Council authorized the OCC to contract with a third party on behalf of the Council to perform a cyber risk assessment related to financial institutions, and other third parties and critical infrastructures upon which the financial services sector depends. The OCC collected the cost of the cyber risk assessment directly from the Council member agencies. The Council's financial statements do not reflect any activity related to the cyber risk assessment or contract.

4. CENTRAL DATA REPOSITORY (CDR)

In 2003, the Council entered into an agreement with UNISYS to enhance the methods and systems used to collect, validate, process, and distribute Call Report information used by member organizations, and to store this information in CDR. CDR was placed into service in October 2005. At that time, the Council began depreciating CDR on the straight-line basis over its estimated useful life of 63 months. In 2009, the Council reevaluated the useful life of CDR and decided to extend the estimated useful life by an additional 36 months based on enhanced functionality of the software. In 2013, the Council again reevaluated the useful life of CDR and decided to extend the estimated useful life by an additional 12 months to December 31, 2014. In 2014, the Council added additional enhancements of $688,281 and extended the useful life of the asset, including the enhancements, for an additional 56 months. The Council similarly extended the period of the associated deferred revenue. The Council records depreciation expenses and recognizes the same amount of revenue; therefore, the extension does not affect net income. The Council also pays for hosting and maintenance expenses for CDR and recognizes the associated revenue from members. Software in process represents non-cash activity excluded from the Statements of Cash Flows.

	2015	2014
Capital Asset CDR		
Beginning balance	$ 21,917,947	$ 21,151,575
Software placed in use during the year	-	688,281
Software in process		78,091
Loss on disposal	(78,091)	-
Total asset	$ 21,839,856	$ 21,917,947
Less accumulated depreciation	(21,128,864)	(20,920,769)
Central Data Repository software — net	$ 710,992	$ 997,178
Depreciation		
Depreciation for the CDR project	$ 208,095	$ 900,515

CDR Financial Activity —The Council is funding the project by billing the three participating Council member agencies (FRB, FDIC, and OCC). Activity for the years ended December 31, 2015 and 2014 is as follows:

	2015	2014
Deferred Revenue		
Beginning balance	$ 997,178	$ 1,131,321
Additions and other adjustments	(78,091)	766,372
Less revenue recognized	(208,095)	(900,515)
Ending balance	$ 710,992	$ 997,178
Current portion deferred revenue	$ 208,095	$ 208,095
Long-term deferred revenue	502,897	789,083
Total Deferred Revenue	$ 710,992	$ 997,178
Total CDR Revenue		
Total CDR Revenue	$ 4,966,292	$ 3,842,296
Accounts payable and accrued liabilities related to CDR:		
Payable to UNISYS for the CDR	$ 714,605	$ 346,284

5. HOME MORTGAGE DISCLOSURE ACT (HMDA)

FRB provides maintenance and support for the HMDA processing system. In 2007, the Council began a rewrite of the entire HMDA processing system, which went into service in 2011. At that time, the Council began depreciating the system on the straight-line basis over its estimated useful life of 60 months. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), responsibility for HMDA is transitioning to the CFPB which is developing a new HMDA system to replace the currently depreciating asset. The FRB will continue processing the HMDA data through 2017 and as a result, in 2015 the Council has extended the estimated useful life of the 2011 rewrite through December 31, 2017. The extension of useful life decreases the depreciation expense by $184,000. The Council also extended the period that the associated deferred revenue is recognized over, which decreases the revenue recognized by the same amount of depreciation; therefore, the extension does not affect net income. Additionally, since the new asset will be controlled and owned by the CFPB, the new asset will be reflected on the CFPB's financial statements and not the Council's.

	2015	2014
Capital Asset HMDA		
Beginning balance	$ 2,783,868	$ 2,783,868
Total asset	$ 2,783,868	$ 2,783,868
Less accumulated depreciation	(2,553,479)	(2,180,696)
HMDA software — net	$ 230,389	$ 603,172
Depreciation		
Depreciation for the HMDA Rewrite project	$ 372,782	$ 556,773

The Council records depreciation expenses and recognizes the same amount of revenue each year. The Council also pays for maintenance expenses for the current HMDA processing system and recognizes the associated revenue from the members and non-members. The financial activity associated with the processing system for the years ended December 31, 2015 and 2014 is as follows:

	2015	2014
Deferred Revenue		
Beginning balance	$ 603,172	$ 1,159,945
Additions	-	-
Less revenue recognized	(372,783)	(556,773)
Ending balance	230,389	603,172
Current portion deferred revenue	115,195	556,774
Long-term deferred revenue	115,194	46,398
Total Deferred Revenue	$ 230,389	$ 603,172
Total HMDA Revenue		
The Council recognized the following revenue from:		
Member organizations for the production and distribution of reports under the HMDA (includes the deferred revenue recognized)	$ 2,847,101	$ 3,461,874
Department of Housing and Urban Development's participation in the HMDA project	510,301	601,891
Total HMDA Revenue	$ 3,357,402	$ 4,063,765

In 2015, the Council entered into an agreement with the U.S Census Bureau to replicate the Census 2000-based surnames table using the 2010 Census data. The project cost of $735,000 was paid for in 2015 and the member agencies were assessed the same amount. Because the work will not be performed and completed until 2016, the transaction is recognized as a prepaid expense and is included in the current portion of deferred revenue.

6. LEASES

Capital Leases — The Council terminated existing capital leases for printing equipment in February 2014, which is a non-cash event of $54,800 excluded from Statement of Cash Flows, and subsequently entered into new capital leases in March 2014. Equipment consists of $234,000 for the capital leases as of December 31, 2015 and 2014; the $234,000 is a non-cash event excluded from the Statement of Cash Flows. Accumulated depreciation was $86,000 and $39,000 for 2015 and 2014, respectively. The depreciation expense for the printing equipment was $47,000 and $46,000 for 2015 and 2014, respectively. Contingent rentals for excess usage of the printing equipment amounted to $17,000 and $14,000 in 2015 and 2014, respectively.

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of December 31, 2015 are as follows:

Years Ending December 31,	**Amount**
2016	72,821
2017	72,821
2018	72,822
2019	12,137
Total minimum lease payments	230,601
Less amount representing maintenance	(69,145)
Net minimum lease payments	161,456
Less amount representing interest	(5,168)
Present value of net minimum lease payments	156,288
Less current maturities of capital lease payments	(48,290)
Long-term capital lease obligations	$ 107,998

Operating Leases — The Council entered into a new operating lease with the FDIC in December 2015 for a five year period with the option to extend for an additional five years to secure office and classroom space. Minimum annual payments under the operating lease having initial or remaining non-cancelable lease term in excess of one year at December 31, 2015, are as follows:

Years Ending December 31,	**Amount**
2016	$ 311,663
2017	315,689
2018	319,811
2019	324,029
2020	328,342
Total minimum lease payments	$ 1,599,534

7. SUBSEQUENT EVENTS

There were no subsequent events that require adjustments to or disclosures in the financial statements as of December 31, 2015. Subsequent events were evaluated through March 01, 2016, which is the date the financial statements were available to be issued.

* * * * * *

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Federal Financial Institutions Examination Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Federal Financial Institutions Examination Council (the "Council"), which comprise the balance sheet as of December 31, 2015, and the related statements of operations and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 1, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended December 31, 2015, we considered the Council's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the result of that testing, and not to provide an opinion on the effectiveness of the Council's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

March 1, 2016

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Federal Financial Institutions Examination Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Federal Financial Institutions Examination Council (the "Council"), which comprise the balance sheet as of December 31, 2015, and the related statements of operations and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 1, 2016.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the result of that testing, and not to provide an opinion on the Council's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

March 1, 2016