

NATIONAL CREDIT UNION ADMINISTRATION



OFFICE OF THE INSPECTOR GENERAL

REPORT TO CONGRESS

October 1, 2001 – March 31, 2002



THE NCUA MISSION

OUR CHARGE IS TO FOSTER THE SAFETY AND SOUNDNESS OF FEDERALLY INSURED CREDIT UNIONS AND TO BETTER ENABLE THE CREDIT UNION COMMUNITY TO EXTEND CREDIT FOR PRODUCTIVE AND PROVIDENT PURPOSES TO ALL AMERICANS, PARTICULARLY THOSE OF MODEST MEANS.

WE STRIVE TO ENSURE THAT CREDIT UNIONS ARE ENPOWERED TO MAKE THE NECESSARY BUSINESS DECISIONS TO SERVE THE DIVERSE NEEDS OF THEIR MEMBERS AND POTENTIAL MEMBERS. WE DO THIS BY ESTABLISHING A REGULATORY ENVIRONMENT THAT ENCOURAGES INNOVATION, FLEXIBILITY, AND CONTINUED FOCUS ON ATTRACTING NEW MEMBERS AND IMPROVING SERVICE TO EXISTING MEMBERS.

THE OFFICE OF INSPECTOR GENERAL MISSION

**TO PROMOTE ECONOMY, EFFICIENCY, AND EFFECTIVENESS
IN NCUA PROGRAMS AND OPERATIONS,
AS WELL AS PREVENT AND DETECT FRAUD, WASTE, AND ABUSE.**

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OFFICE OF THE INSPECTOR GENERAL
NATIONAL CREDIT UNION ADMINISTRATION

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INSPECTOR GENERAL'S MESSAGE TO THE CONGRESS

During this reporting period, the National Credit Union Administration (NCUA) Office of Inspector General (OIG) united its audit and investigative resources to conduct a comprehensive review of employees' use of government contractor-issued travel and purchase cards. Although a report has not yet been issued, preliminary findings indicate that the agency needs to enhance controls over its credit card program, including increasing monitoring and providing training to cardholders on appropriate use of the cards. We intend to report our findings and recommendations in our next semiannual report. Concurrent with this review, the Office of Investigations (OI) continued to respond to a steady stream of referrals presenting individual cases of travel card abuse.

In continuing its mandate to help promote systems security at the NCUA, the OIG evaluated the project risks associated with a major human resources system migration. Although the OIG reviewed numerous risk areas associated with the migration, we also gave attention to security and access control risks inherent in the effort. Among our overall findings and recommendations, we specifically addressed the need for focused testing to ensure that the security features of the new system functioned effectively. The OIG continues to work proactively with agency officials in developing sound and secure information management systems.

This office also continued to focus its attention on the NCUA's financial reporting as well as its performance under the Government Performance and Results Act.

AUDIT HIGHLIGHTS

As mentioned above, the Office of Audit performed an in-depth review of NCUA's planned upgrade to a new comprehensive human resources system—the Comprehensive Human Resources Integrated System (CHRIS)--owned and maintained by the General Services Administration (GSA). The GSA likewise owned and maintained the predecessor to CHRIS used by NCUA--the Personnel Information Resource System (PIRS). The OIG, which contracted for technical assistance on this evaluation, analyzed whether, to what extent, and at what cost NCUA mitigated the project risks of this major human resources upgrade. In addition, the audit staff performed two Management Consulting Reviews, in two separate regional offices, on the following: (1) NCUA's Small Credit Union Program; and (2) NCUA's Staff Appraisal Training Cycle Process.

INVESTIGATIVE HIGHLIGHTS

During the reporting period, the OI opened twelve (12) investigations and carried three (3) cases over from the last reporting period, of which two (2) were closed. In addition, the OI reported on and closed two (2) of the new cases opened in this reporting period.

The 10 new cases currently under investigation involve the following issues: (1) misuse of government contractor-issued credit card (10 cases); and (2) employee misconduct based on allegations of mismanagement (1 case).

During this period the OI presented training to NCUA supervisors on the role and responsibilities of the OIG; the issue of IG independence; what types of employee misconduct should be reported to the OIG; and how confidential information provided to the OIG is handled by our office. The training session also emphasized to supervisors the need to ensure that employees understand what constitutes proper use of the government contractor-issued travel card.

During this period the OI responded to a Freedom of Information Act (FOIA) request from an attorney/reporter from American Lawyer Media. Our OIG counsel coordinated with other IG counsels, who received the identical request, in preparing this office's response.

FUTURE PLANS

Once we issue our final report on employee misuse of the government contractor-issued credit and purchase cards, the OIG plans to consult closely with senior management regarding the need to develop and implement more detailed and clearer guidelines for monitoring travel card activity to ensure consistent application throughout the agency. Moreover, the OIG intends to ensure that training is developed and provided to all NCUA cardholders to ensure that cardholders are informed of their responsibilities and the disciplinary action that may be taken for improper use of the cards.



Frank Thomas
Inspector General

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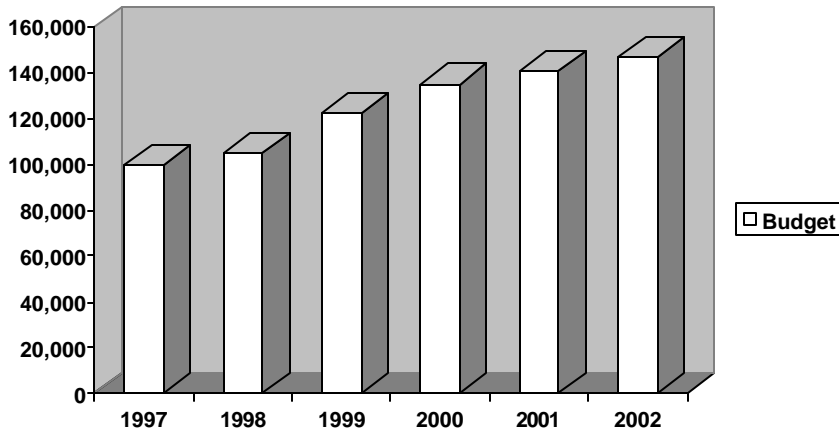
NATIONAL CREDIT UNION ADMINISTRATION

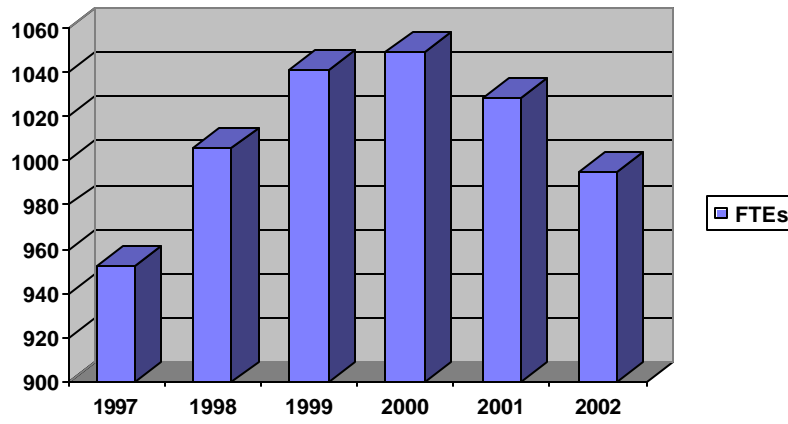
The National Credit Union Administration (NCUA) was established as an independent, federal regulatory agency on March 10, 1970. The agency is responsible for chartering, examining, supervising, and insuring federal credit unions. It also insures state-chartered credit unions that have applied for insurance and have met National Credit Union Share Insurance requirements. NCUA is funded entirely by credit unions; it does not receive any tax dollars. As of December 31, 2001, the NCUA was supervising and insuring 6,118 Federal credit unions and insuring 3,866 state-chartered credit unions, a total of 9,984 institutions. This represents a loss of 218 Federal and 114 state-chartered institutions since December 31, 2000, for a total loss of 332 credit unions nation-wide.

NCUA operates under the direction of a Board composed of three members. Board members are appointed by the President and confirmed by the Senate. They serve six-year terms. Terms are staggered, so that one term expires every two years. The Board is responsible for the management of the National Credit Union Administration, the NCUA Share Insurance Fund, the Central Liquidity Facility, and the Community Development Revolving Loan Program.

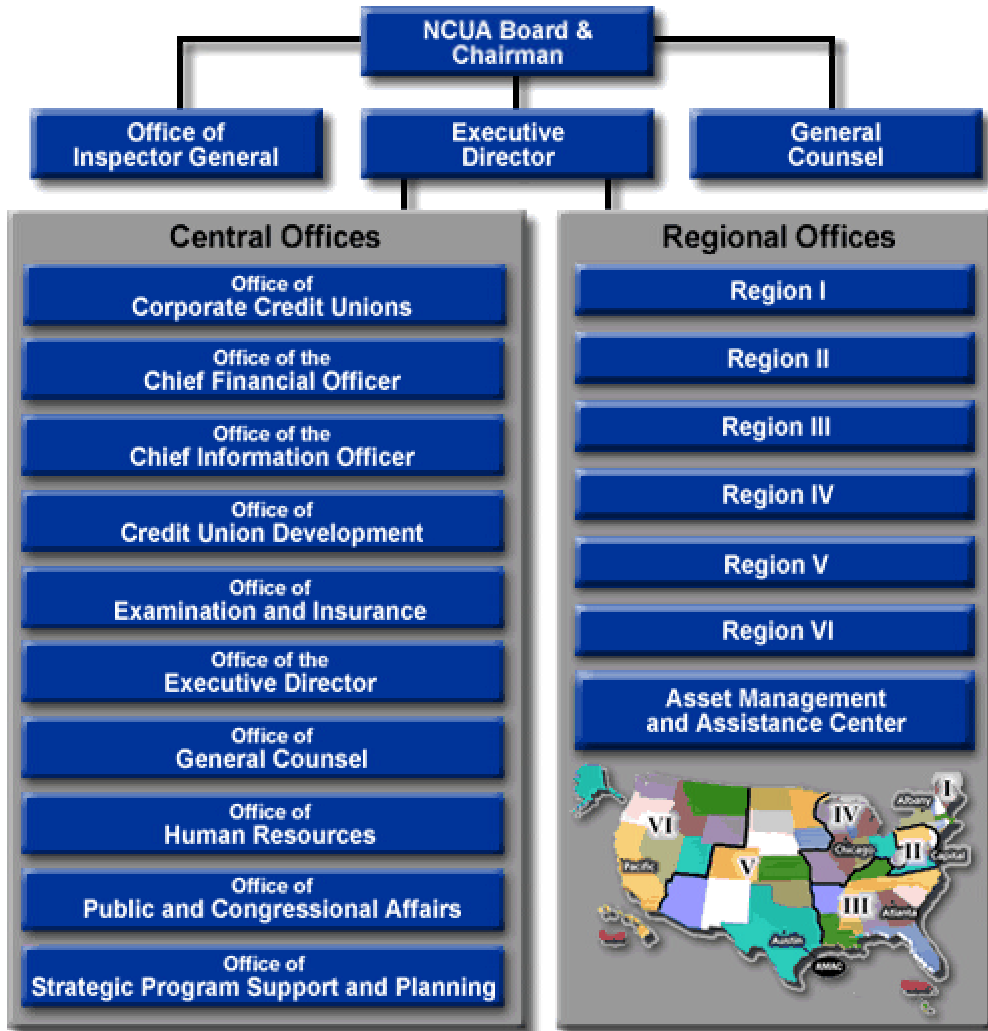
The National Credit Union Administration executes its program through its central office in Alexandria, Virginia and regional offices in Albany, New York; Alexandria, Virginia; Atlanta, Georgia; Lisle, Illinois; Austin, Texas; and Concord, California. NCUA also operates the Asset Management and Assistance Center (AMAC) in Austin, Texas. Please refer to the NCUA organizational chart on page 3.

The NCUA Board adopted its 2002 budget on November 15, 2001. The final revised 2002 budget of \$146,568,580 represents an increase of \$6.4 million over the 2001 budget. The Full Time Equivalent (FTE) staffing authorization for 2002 is 995, a reduction of 33 positions over the 2001 total of 1,028.





NCUA ORGANIZATION CHART



NCUA HIGHLIGHTS

SENATE CONFIRMS JOHNSON AND MATZ TO NCUA BOARD

The Senate confirmed, on March 20, 2002, the nominations of JoAnn Johnson and Deborah Matz to seats on the three-member board of the National Credit Union Administration. President George W. Bush nominated Johnson, who had been serving as a recess appointee since January 22, 2002, to a seat on the Board on November 27, 2001. Johnson was first elected to the Iowa Senate in 1994, and resigned her seat to accept the NCUA recess appointment. President Bush had named Matz a recess appointee to the NCUA Board on January 22, 2002. Before her appointment, Matz was the Executive Officer at the Liaison Office for North America of the Food and Agriculture Organization of the United Nations in Washington, D.C. Johnson will serve as an NCUA Board member until August 2007, while Matz's term expires in August 2005.

NCUA CHAIRMAN UNVEILS "ACCESS ACROSS AMERICA" PLAN

NCUA Board Chairman Dennis Dollar announced on February 26, 2002, his plan for NCUA to partner with other federal departments and agencies to extend financial services into underserved areas. The initiative, termed "Access Across America," calls for the enhancement and extension of an existing NCUA initiative to bring credit union services to neighborhoods and communities lacking access to low-cost financial services.

NCUA'S REGULATORY FLEXIBILITY (REGFLEX) PROGRAM BECOMES EFFECTIVE

NCUA's RegFlex program, which permits federal credit unions with strong net worth and consistently strong CAMEL ratings to be exempt, in whole or in part, from certain NCUA regulations, became effective March 1, 2002.

NCUA ISSUES CONSUMER PRIVACY GUIDANCE

NCUA and seven other federal financial regulators released, on February 6, 2002, a privacy guide for consumers to coincide with National Consumer Protection Week. The guide, "Privacy Choices for Your Personal Financial Information," helps consumers make informed choices about whether to allow their personal financial information to be shared. The publication guides consumers through the choices they face as a result of the privacy provisions of the Gramm-Leach-Bliley Act of 1999.

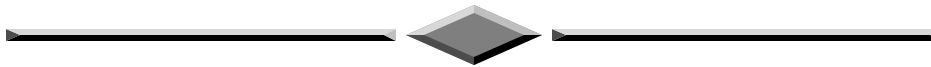
NCUA REPEALS COMMUNITY ACTION PLAN (CAP) REGULATION

The NCUA repealed the community action plan (CAP) regulation on December 31, 2001, in favor of a continued emphasis on procedural streamlining to encourage greater extension of credit union services to the underserved. The National Community

Reinvestment Coalition (NCRC) is challenging in court the NCUA's repeal of the CAP regulation. The NCRC lawsuit alleges that NCUA failed to comply with the Administrative Procedures Act requirements and claims that the repeal of CAP will harm efforts to expand access to credit in low- and moderate-income communities.

COURT DISMISSES ABA CHALLENGE TO NCUA'S FIELD OF MEMBERSHIP RULE

On November 9, 2001, the United States Court of Appeals dismissed the American Bankers Association (ABA) suit against NCUA's field of membership regulation issued pursuant to the Credit Union Membership Access Act (CUMAA). The court rejected the ABA's argument that NCUA should count family members, pensioners, and annuitants, as well as primary potential members, toward the 3000-member limit of a common bond within a multiple common bond credit union.



FEDERALLY INSURED CREDIT UNION HIGHLIGHTS

Credit unions submit semiannual call reports (financial and operational data) to NCUA. An NCUA staff assessment of the December 31, 2001, semi-annual call reports submitted by all federally insured credit unions found that virtually all key financial indicators were healthy.

KEY FINANCIAL INDICATORS REMAIN STRONG

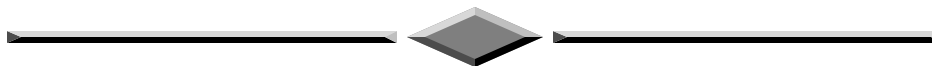
Looking at 2001 annual statistics for major balance sheet items and key ratios shows for the nation's 9,984 federally insured credit unions: Assets grew 14.4 percent, up from \$438.2 to \$501.4 billion; Loan to share ratio declined from 79.5 to 73.8 percent. Equity grew 9.4 percent, up from \$50.1 to \$54.8 billion; Net worth to assets ratio decreased from 11.4 percent to 10.8 percent; Delinquency ratio increased from .74 to .85 percent; and Membership increased from 77.6 to 79.3 million people.

SAVINGS ALSO INCREASED IN 2001

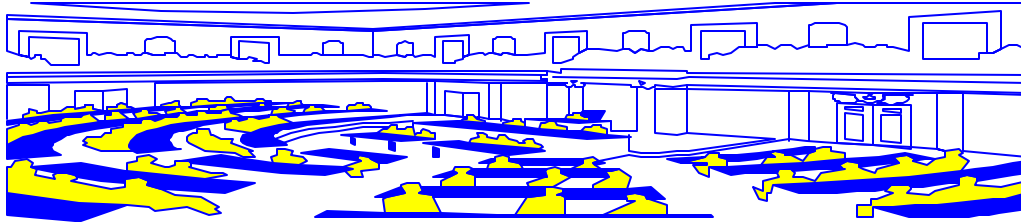
Savings increased 15.2 percent, up from \$379.2 to \$437 billion; Regular shares increased 13.8 percent, up from \$131.2 to \$149.3 billion; Share certificates increased 12.5 percent, up from \$105 to \$118 billion; Money market shares grew 37.4 percent, up from \$50.5 to \$69.5 billion; and IRA/KEOGH accounts grew 9 percent, up from \$36.3 to \$39.6 billion.

SLOWER LOAN GROWTH IN 2001

Lending grew 7 percent in 2001, up \$301.3 to \$322.3 billion. Several categories of lending saw positive growth. Used auto loans grew 10.4 percent to \$66.3 billion. The largest category of loans, first mortgage real estate loans grew 16.7 percent to \$89.1 billion. New auto loans declined 0.7 percent to \$60.2 billion.



LEGISLATIVE HIGHLIGHTS

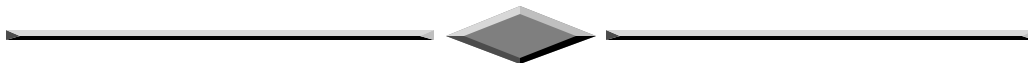


PRESIDENT BUSH SIGNS BILL TARGETING TERRORISM

President Bush signed a counter-terrorism/anti-money laundering bill on October 26, 2001, that gives law enforcement authorities added investigative powers in their efforts to thwart money laundering and the funding of terrorist activities. The new law, known as the 2001 Patriot Act, was enacted in response to terrorist attacks on the World Trade Center and the Pentagon. The Act includes provisions making it more difficult to move large amounts of cash across U.S. borders undetected, and requires improved rules on the ID verification of persons conducting transactions or opening new accounts at United States financial institutions.

OFFICE OF GOVERNMENT ETHICS PUBLISHES FINAL RULE CREATING NEW FINANCIAL INTEREST EXEMPTIONS

On March 19, 2002, the Office of Government Ethics (OGE) published a final rule amending its existing regulation that exempts certain financial interests as being too remote or inconsequential to affect the integrity of the services of employees, under 18 U.S.C. § 208(b)(2). The amendments create a new exemption for sector mutual funds; raise the de minimis exemption for matters affecting interests in securities from \$5,000 to \$15,000; and creates an exemption that permits an employee to act in certain particular matters that affect an entity in which the employee owns securities, where the entity is not a party to the matter.

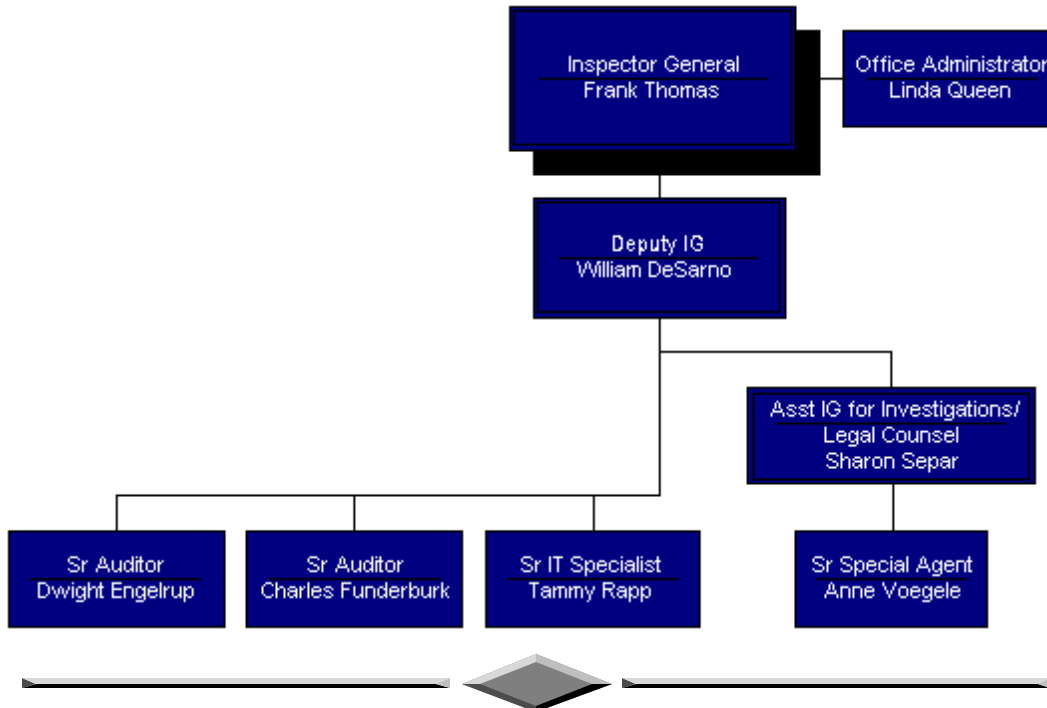


OFFICE OF THE INSPECTOR GENERAL

The Office of the Inspector General was established at the NCUA in 1989 under the authority of the Inspector General Act of 1978, as amended in 1988. The staff consists of the Inspector General, a Deputy Inspector General, an Assistant Inspector General for Investigations/Counsel, a Senior Special Agent, two Senior Auditors, a Senior Information Technology Auditor and an Office Administrator.

The Inspector General reports to, and is under the general supervision of, the NCUA Board. The Inspector General is responsible for:

1. Conducting, supervising, and coordinating audits and investigations of all NCUA programs and operations;
2. Reviewing policies and procedures to ensure efficient and economic operations as well as preventing and detecting fraud, waste, and abuse;
3. Reviewing existing and proposed legislation and regulations to evaluate their impact on the economic and efficient administration of agency programs; and
4. Keeping the NCUA Board and the Congress apprised of significant findings and recommendations.



AUDIT ACTIVITY

AUDIT REPORTS ISSUED

**Management Consulting Report Region VI: Small Credit Union Program
OIG-02-01 January 15, 2002**

This engagement involved providing assistance to Region VI in determining the effectiveness of the regional Small Credit Union Program (SCUP). Our review objective was to evaluate the current process in providing assistance to small credit unions and to provide suggestions for process improvement. The review scope included SCUP activity in Region VI for the years 2000 and 2001.

We found that overall the SCUP is working well in Region VI. The Region is meeting at least the minimum SCUP requirements and agency goals and plans. Region VI is coordinating its resources to accomplish the SCUP program.

Our review was conducted during September and October 2001, and included:

- An evaluation of the relationship of the SCUP process to written staff guidance and training, regional goals, regional performance plan, and national strategic plan;
- Interviews of regional staff to determine and evaluate the regional SCUP process, quality control effort, and effectiveness of effort; and
- An evaluation of a sample of SCUP contact documentation and reports to evaluate the effectiveness and efficiency of the process.

Our observations resulted in three suggestions to improve the SCUP process in Region VI.

**Management Consulting Report Region IV: Staff Appraisal Training Cycle Process
OIG-02-02 January 30, 2002**

This engagement involved providing assistance to Region IV in determining the effectiveness of the regional appraisal and training cycle including employee appraisal, Individual Development Plan (IDP), and training cycle process for staff grades CU-11 through CU-16. Our overall review objectives were to answer the following questions: Are performance weaknesses identified through the appraisal process? Are the weaknesses addressed in the subsequent IDP? Was training received to address identified weaknesses? Did identified training result in improved performance in succeeding appraisals? Our review was intended to provide suggestions for process improvement. The review scope included the review of employee appraisals, IDPs, and training received in Region IV for the years 1998 through 2001.

We found that overall the appraisal and training cycle process (process) is working well in Region IV. Written regional and national guidance regarding the process is adequate to ensure accountability, monitoring, timely staff appraisals, identification of training needs, and training attendance addressing any noted weaknesses. We observed that supervisors are taking seriously their responsibility to fairly appraise their employees and develop training opportunities for staff. Also, there is an effort to ensure that staff receives at least two training experiences per year. We observed that most of the training was routine professional in-house training with a limited number of developmental training opportunities, including training for supervisors and outstanding staff.

Our review was conducted during October and November 2001, and included:

- An evaluation of the relationship of the appraisal, Individual Development Plan (IDP), and training received processes to written staff guidance; and
- The review of a sample of staff appraisals, IDPs, and training received to evaluate the effectiveness of the processes.

Our observations resulted in 7 suggestions to improve the appraisal, IDP, and training received process.

Evaluation of Project Risks Associated with Upgrade to Comprehensive Human Resources Integrated System (CHRIS) OIG-02-03 March 7, 2002

We reviewed NCUA's planned upgrade to a new comprehensive human resources system. Until very recently, NCUA utilized the General Services Administration's (GSA) Personnel Information Resource System (PIRS). NCUA entered into an interagency agreement with GSA for the migration from PIRS to CHRIS. Implementation was scheduled to take place by the end of February 2002. Other than GSA, NCUA is the first government agency to implement a customized version of CHRIS.

The purpose of our review was to determine whether NCUA mitigated the project risks of a major HR system upgrade by performing appropriate analysis, planning, and monitoring. We contracted with Urbach Kahn & Werlin Advisors, Inc. to provide technical assistance. Our review was performed from October 31, 2001, through January 15, 2002.

The focus of this review was to glean reasonable assurance regarding the design and effectiveness of controls over systems and procedures. Our review identified several system migration weaknesses. We concluded that these weaknesses could lead to overall increased project risk, NCUA needs/requirements not being met, the planned implementation timeframe not being met, increased security and system access risks, and expanding costs.

Our report offered eight recommendations to help NCUA mitigate identified project risks:

- Ensure that a structured process is in place for the development and acquisition of third party systems.
- Require active involvement on the part of the Office of the Chief Information Officer (OCIO) regarding the technical aspects of the evaluation process.
- Prepare Statements of Work that include specific description of deliverables, and provide for reasonable acceptance testing.
- Reevaluate the cost/benefits of CHRIS versus existing Commercial off the shelf (COTS) packages now available.
- Implement a systems development lifecycle (SDLC) methodology that includes the role of key players who may be involved in the development and implementation processes.
- Define system security and access control requirements.
- Define user acceptance testing needs.
- Retain and review CHRIS system documentation.

NCUA disagreed with most of the report's recommendations, stating that the systems development model should not be applied to a "government off the shelf service contract." NCUA further stated that the conversion project went smoothly, the risks were mitigated, NCUA's needs were met, and the implementation was achieved. We agreed that a formal systems development lifecycle methodology might not be appropriate for every SDLC project. However, when committing to SDLC projects, NCUA management should quantify the risk to NCUA and assign an amount of SDLC structure that is required based on the level of risk. We also are pleased that the conversion was successful. However, we maintain that NCUA should not rely wholly on verbal assurances from third-party vendors, even if the vendor in question is a large Federal agency. We believe it is incumbent upon NCUA management to achieve an appropriate level of assurance in order to minimize the overall risk to NCUA. In this particular instance we simply disagree on what constituted an appropriate level of assurance.

NCUA Financial Statement Audits, dated March 31, 2002

Our contract accounting firm, Deloitte & Touche, issued opinions on the 2001 financial statements of the National Credit Union Administration Operating Fund, National Credit Union Share Insurance Fund, the Central Liquidity Facility, and the Community Development Revolving Loan Program. The auditors found that the financial statements presented fairly the financial position of the agency's funds as of December 31, 2001. The firm issued its opinions on February 22, 2002.

The NCUA Operating Fund (OIG-02-04) was established as a revolving fund managed by the NCUA Board for the purpose of providing administration and service to the federal credit union system. The auditors issued an **unqualified opinion** on the Operating Fund's financial statements. The Funds total assets for 2001 were \$57.2 million, up from \$53.4 million in 2000.

The National Credit Union Share Insurance Fund (OIG-02-05) was established as a revolving fund managed by the NCUA Board to insure member share deposits in all

Federal credit unions and qualifying state credit unions up to \$100,000 per shareholder account. The auditors issued an **unqualified opinion** on the Share Insurance Fund's financial statements. The Fund's total assets for 2001 were \$5.1 billion, up from \$4.7 billion in 2001.

The Central Liquidity Facility (OIG-02-06) was established as a mixed ownership government corporation managed by the NCUA Board to improve general financial stability by meeting the liquidity needs of credit unions. The auditors issued an **unqualified opinion** on the CLF's financial statements. The CLF's total assets for 2001 were \$985 million, up from \$932 million in 2000.

The Community Development Revolving Loan Program's (OIG-02-06) purpose is to stimulate economic activities in the communities served by low-income credit unions. This in turn will result in increased income, ownership and employment opportunities for low-wealth residents and other economic growth. The auditors issued an **unqualified opinion** on the Program's financial statements. The CDRLP's total assets for 2001 were \$13.8 million, up from \$11.7 million in 2000.

The financial auditors did not find any matters considered to be *material* weaknesses in their review of the Fund's internal control structures pertinent to financial reporting. However, during the performance of the audit, several observations and recommendations were presented relating to internal control over financial reporting, and certain other accounting, administrative, and operating matters. The auditors also provided detailed observations with respect to Information Technology matters.

AUDITS IN PROGRESS

Management Review of the SmartPay Procurement and Travel Charge Card Programs

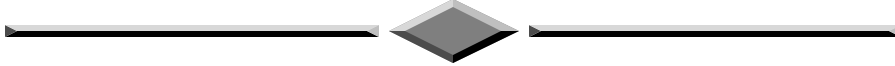
We are in the process of completing a joint audit/investigative review of NCUA Visa cardholders' adherence to the terms of their agreement under the SmartPay program. We are evaluating the extent of misuse of both travel and purchase cards to evaluate the adequacy of management systems and controls to prevent abuse.

Review of NCUA Performance under the Government Performance and Results Act

The objective of this review is to evaluate NCUA's performance in meeting and reporting on Strategic Goal 1 for 2000 and 2001: Promote a system of financially sound, well-managed federally insured credit unions able to withstand economic volatility. The review emphasis will be verification and validation of goal performance information reported to the NCUA Board and outside the agency.

SIGNIFICANT AUDIT RECOMMENDATIONS ON WHICH CORRECTIVE ACTION HAS NOT BEEN COMPLETED

As of March 31, 2002, there were no significant audit recommendations on reports issued over six months ago that have not been either fully implemented or in the process of implementation.



INVESTIGATIVE ACTIVITY

In accordance with professional standards and guidelines established by the Department of Justice, the Office of Investigations performs investigations of criminal, civil, and administrative wrongdoing involving agency programs. Our investigative jurisdiction focuses on activities designed to promote economy, effectiveness, and efficiency, as well as fighting fraud, waste, and abuse in agency programs. In addition to our proactive efforts to deter misconduct and promote integrity awareness among agency employees, we investigate referrals and direct reports of employee misconduct. Investigations may involve possible violations of regulations regarding employee responsibilities and conduct, Federal criminal law, and other statutes and regulations pertaining to the activities of NCUA employees. Investigative findings may lead to criminal prosecution, civil prosecution, or administrative action.



Moreover, we receive complaints from credit union members and officials that involve NCUA employee program responsibilities. These complaints are examined to determine whether there is any allegation of NCUA employee misconduct. If not, the complaint is referred to the appropriate regional office for response, or closed if contact with the regional office indicates that the complaint has already been appropriately handled.

Investigative Operations	
Contacts/inquiries/investigations carried forward from previous reporting period	3
Contacts initiated during reporting period	12
Contacts closed for lack of verifiable evidence or referred to another office	0
Reports issued and/or matters closed	4
Management Implication Reports issued	0
Matters Remaining Open	11

OFFICE OF INVESTIGATIONS ACTIVITIES

CLOSED INVESTIGATIONS

I-VI-01-04 Falsification of Work Reports, Timesheets, and Vouchers

Based on a referral, the OI investigated allegations that an NCUA Examiner falsified work products related to the examination of credit unions and made false claims of hours and expenses. The case was presented for prosecution and administrative Kalkines warnings were authorized. The individual was interviewed and admitted to all of the allegations. The employee was removed after the OIG report was issued.

I-CO-01-07 Misuse of Travel Card

The OIG investigated an allegation that an employee had misused his government contractor-issued travel card. Investigation revealed that within a year and a half period the employee had used his travel card for over 40 personal purchases, totaling \$4,300. The employee was suspended after the OIG report was issued.

I-CO-01-08 Misuse of Travel Card

The OIG investigated an allegation that an employee had misused his government contractor-issued travel card. Investigation revealed that within a year and a half period, the employee used his travel card for approximately 60 personal purchases, totaling over \$10,000. The employee was suspended after the OIG report was issued.

I-V-01-03 Sexual Harassment and Undue Influence

The OIG completed its investigation into allegations that two NCUA employees had made inappropriate comments and gestures to an official of a credit union, and that one of the employees had threatened the credit union Board in order to affect the removal of the credit union President. The investigation could neither substantiate nor conclusively disprove the allegations.

OPEN INVESTIGATIONS

During this reporting period, the OI continued its review of employee use of the government contractor-issued credit card. The office currently has ten (10) investigations open on this matter. The OI also has one (1) open case concerning allegations of mismanagement.

LEGISLATIVE AND REGULATORY REVIEWS

Section 4(a) of the Inspector General Act requires the Inspector General to review existing and proposed legislation and regulations relating to the programs and operations of NCUA and to make recommendations concerning their impact. Moreover, we routinely review proposed agency instructions and other policy guidance, in order to make recommendations concerning economy and efficiency in the administration of NCUA programs and operations and the prevention and detection of fraud, waste and abuse.

During the reporting period, the OIG reviewed 13 items, including proposed and final changes to legislation and regulations, NCUA Letters to CU's, and internal directives that affect NCUA operations.

SUMMARY OF STATUTES AND REGULATIONS REVIEWED	
Legislation	
H.R. 2975	The USA PATRIOT Act
44 U.S.C. Ch. 35	Proposed Bill: Federal Information Security Management Act of 2002
H.R. 309	Proposed Bill: Anti-Terrorism, Anti-Hijacking, and Federal Criminal Investigations' Empowerment Act of 2001
Regulations	
	Title
5 CFR 2640	Exemption Amendments Under 18 U.S.C. 208(b)(2)
5 CFR 2635	Travel Reimbursement for Official Relating to Unofficial Speaking Activities
12 CFR 700, 701, 712, 715, 723, 725, 790	Final Rule: Definitions and Technical Amendments to NCUA Regulations
12 CFR 722, 742	Regulatory Flexibility Program
12 CFR 705	Proposed BAM: Community Development Revolving Loan Program for Credit Unions
12 CFR 701	Interim Final Rule with Request for Comments: Community Action Plan

OTHER OIG ACTIVITIES

STAFF TRAINING AND DEVELOPMENT

Inspector General (IG) Frank Thomas as well as Deputy Inspector General (Deputy IG) William DeSarno, participated in the Financial Institutions Regulatory Committee of the Executive Council on Integrity and Efficiency (ECIE). The Committee provides a forum for Inspectors General of the NCUA, the Federal Reserve System, the Department of the Treasury, the FDIC, the Federal Housing Finance Board, the Securities and Exchange Commission, and the Farm Credit Administration to: discuss matters of mutual interest; coordinate relevant audits, investigations, legislative, and regulatory matters; and seek uniform approaches to handling similar issues.

Senior Auditor Dwight Engelrup attended a White Collar Crimes Seminar sponsored by the Federal Financial Institutions Examination Council (FFIEC). Senior Information Technology Auditor Tammy Rapp attended two seminars: (1) An Overview of A-130, IT Strategic Plans; and (2) an Information Systems Audit and Control Association (ISACA) seminar on the Government Institutions Security Reform Act (GISRA).

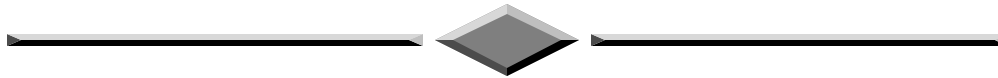


TABLE I

INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED COSTS				
		Number of Reports	Questioned Costs	Unsupported Costs
A.	For which no management decision had been made by the start of the reporting period.	0	\$0	\$0
B.	Which were issued during the reporting period.	0	0	0
Subtotals (A + B)		0	0	0
C.	For which management decision was made during the reporting period.	0	0	0
	(i) Dollar value of disallowed costs	0	0	0
	(ii) Dollar value of costs not disallowed	0	0	0
D.	For which no management decision has been made by the end of the reporting period.	0	0	0
E.	Reports for which no management decision was made within six months of issuance.	0	0	0

Questioned costs are those costs the OIG has questioned because of alleged violations of laws, regulations, contracts, or other agreements; findings which at the time of the audit are not supported by adequate documentation; or the expenditure for the intended purpose is unnecessary or unreasonable.

Unsupported costs (included in "Questioned Costs") are those costs the OIG has questioned because of the lack of adequate documentation at the time of the audit.

TABLE II

INSPECTOR GENERAL ISSUED REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE			
		Number of Reports	Dollar Value
A.	For which no management decision had been made by the start of the reporting period.	0	\$0
B.	Which were issued during the reporting period.	0	0
	Subtotals (A + B)	0	0
C.	For which management decision was made during the reporting period.	0	0
	(i) Dollar value of recommendations agreed to by management.	N/A	0
	(ii) Dollar value of recommendations not agreed to by management.	N/A	0
D.	For which no management decision was made by the end of the reporting period.	0	0
E.	For which no management decision was made within six months of issuance.	0	0

Recommendations that "Funds to be Put to Better Use" are those OIG recommendations that funds could be used more efficiently if management took actions to reduce outlays, de-obligate funds from programs/operations, avoid unnecessary expenditures noted in pre-award reviews of contracts, or any other specifically identified savings.

TABLE III

SUMMARY OF OIG ACTIVITY OCTOBER 1, 2001 THROUGH MARCH 31, 2002		
PART I – AUDIT REPORTS ISSUED		
Report Number	Title	Date Issued
OIG-02-01	Management Consulting Report (Region VI) Small Credit Union Program	1/15/02
OIG-02-02	Management Consulting Report (Region IV) Staff Appraisal Training Cycle Process	1/30/02
OIG-02-03	Evaluation of Project Risks Associated with Upgrade to Comprehensive Human Resources Integrated System (CHRIS)	3/07/02
OIG-02-04	Financial Audit: NCUA Operating Fund	3/31/02
OIG-02-05	Financial Audit: Share Insurance Fund	3/31/02
OIG-02-06	Financial Audit: Central Liquidity Facility	3/31/02
OIG-02-07	Financial Audit: Community Development Revolving Loan Program	3/31/02
PART II – AUDITS IN PROCESS (as of September 30, 2001)		
	Review of NCUA Performance under the Government Performance and Results Act	
	Management Review of the SmartPay Procurement and Travel Charge Card Programs	

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