

NATIONAL CREDIT UNION ADMINISTRATION



OFFICE OF THE INSPECTOR GENERAL

REPORT TO CONGRESS

April 1, 2002 – September 30, 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) completed its comprehensive review of employees' use of government contractor-issued travel and purchase cards. Our review was designed to determine whether NCUA employees were using the travel and purchase cards properly and to review what internal controls were in place regarding the agency's charge card programs. The OIG issued two reports on the travel and purchase card programs, respectively. Our findings indicated, among other things, that the agency needed to enhance controls over its credit card program—in particular the travel card program—including increasing monitoring of and providing training to cardholders on appropriate use of the cards. In accordance with our recommendations, the agency has already instituted numerous changes to the travel card program.

As a consequence of the agency's increased monitoring of employees' use of the travel charge cards, the Office of Investigations (OI) has responded to an increased stream of referrals presenting individual cases of travel card abuse. From studying the extent of travel card abuse and particular misuse patterns, the OIG devised a focused and pertinent training program on the proper use of the cards, presented to all OIG staff members at consecutive weekly sessions at the agency-wide Regional Conference from August 5-23, 2002.

In continuing its mandate to help promote systems security at the NCUA, the OIG independently evaluated and issued a report on NCUA's implementation of the Government Information Securities Reform Act (GISRA) for the year ended September 30, 2002. Our evaluation determined that NCUA is actively working towards compliance with GISRA, but needs to complete risk assessments and security plans for all of NCUA's mission critical 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 (GPRA).

AUDIT HIGHLIGHTS

As mentioned above, the Office of Audit (OA) completed its respective reviews of the agency's travel and purchase card programs during this period. The OA worked closely with the Office of Investigations during these reviews, referring to investigators individual employee accounts that revealed significant misuse. In addition, the OA completed a review of NCUA's performance in meeting and reporting on Strategic Goal I under GPRA, as well as completed an independent evaluation of NCUA's information security program as required by GISRA.

INVESTIGATIVE HIGHLIGHTS

During the reporting period, the OI opened six (6) new investigations and carried 16 cases over from the last reporting period, of which 15 were closed. One case from the previous reporting period remains open.

The seven (7) open cases currently under investigation involve the following issues: (1) abuse of government contractor-issued credit card (5 cases); (2) false claims (one case); and (3) misconduct in carrying out official duties (one case).

The OI has worked closely with the Office of Human Resources to ensure that that office understood the nature and extent of the prevailing misuse patterns that our investigations revealed. This concerted effort contributed significantly to meeting the agency's legal obligation to ensure fairness and consistency in imposing disciplinary action on individual employees for card abuse.

FUTURE PLANS

The OIG plans to continue to consult closely with senior management regarding the implementation of the more detailed and clear guidelines for employee use of the travel charge cards that the agency recently promulgated. Moreover, the OIG will continue to work with and advise individual supervisors responsible for monitoring their respective employees' use of the cards. We also intend to continue developing training for all NCUA cardholders to ensure that cardholders remain informed of their responsibilities and the disciplinary action that may be taken for improper use of the cards.

William A. DeSarno
Acting Inspector General

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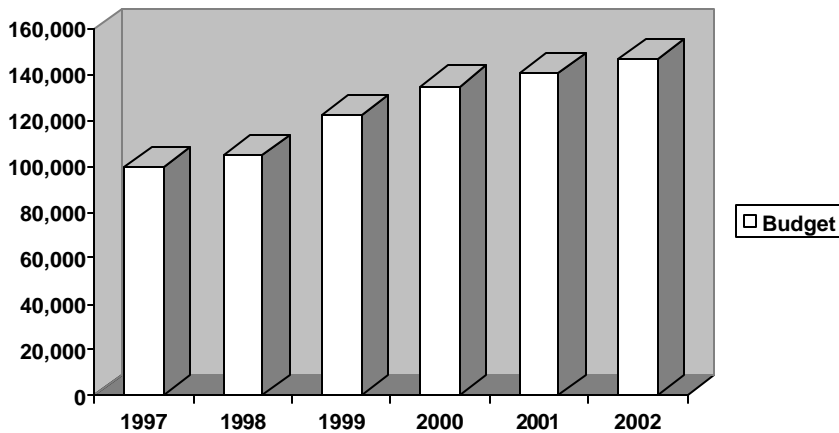
NATIONAL CREDIT UNION ADMINISTRATION

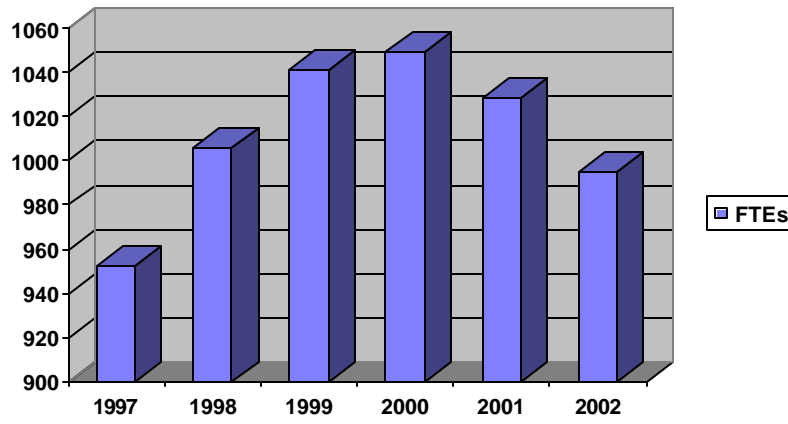
The National Credit Union Administration (NCUA) was established as an independent, federal regulatory agency on March 10, 1970. The agency is responsible for chartering, examining, supervising, and insuring federal credit unions. It also insures state-chartered credit unions that have applied for insurance 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 June 30, 2002, the NCUA was supervising and insuring 6,032 Federal credit unions and insuring 3,782 state-chartered credit unions, a total of 9,814 institutions. This represents a loss of 86 Federal and 84 state-chartered institutions since December 31, 2001, for a total loss of 170 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.

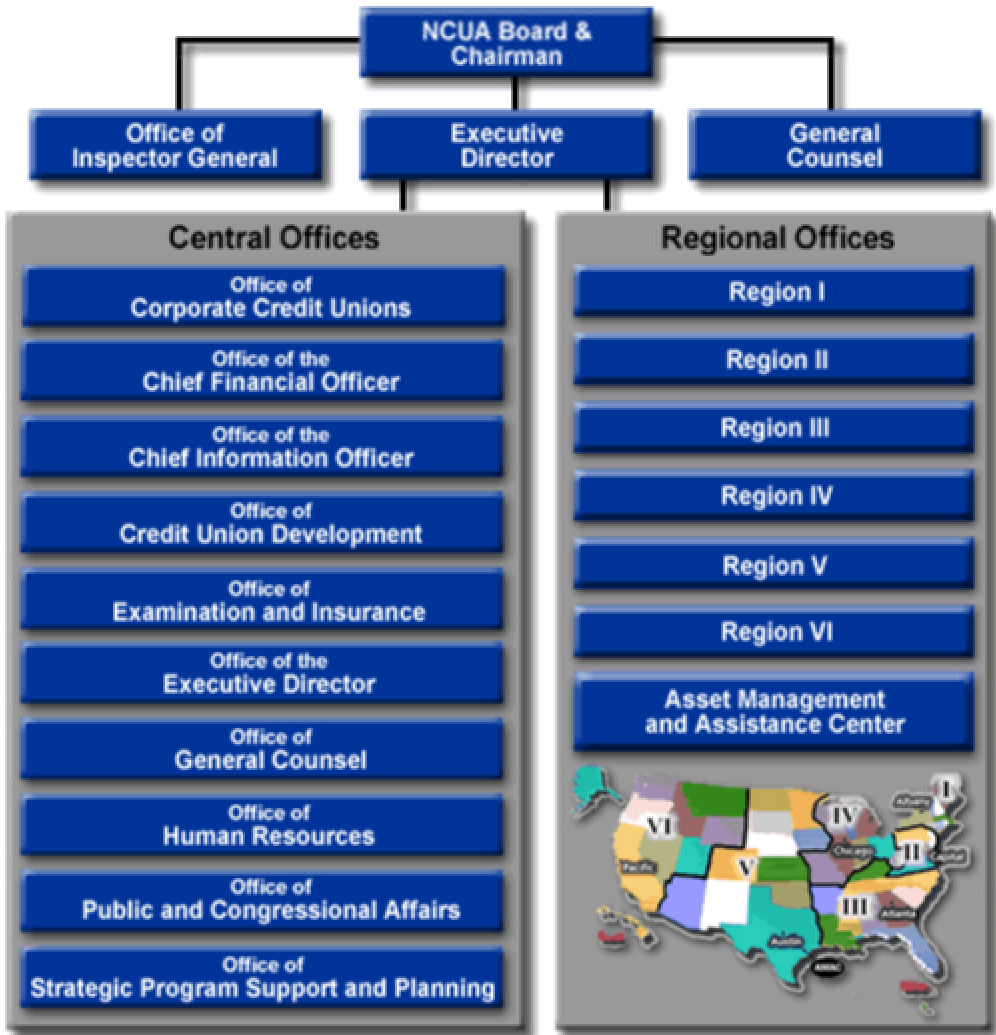
The National Credit Union Administration executes its program through its central office in Alexandria, Virginia and regional offices in Albany, New York; Alexandria, Virginia; Atlanta, Georgia; Lisle, Illinois; Austin, Texas; and Concord, California. NCUA also operates the Asset Management and Assistance 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

NCUA CHAIRMAN DECLARES THAT EXTENDING CREDIT UNION SERVICES TO LATINO AND HISPANIC COMMUNITIES IS A TOP NCUA PRIORITY

NCUA Chairman Dennis Dollar told credit union leaders in San Diego, at the 2nd annual Latino Credit Union Conference sponsored by the National Federation of Community Development Credit Unions, that NCUA will endeavor to serve as an effective agent of opportunity and access to credit union services for the 90 million people residing in CDFI-designated underserved areas in America. Chairman Dollar challenged credit union leaders to encourage chartering new credit unions in these communities and challenged existing credit unions to adopt these communities as underserved areas. Chairman Dollar further expressed his support for the President's vision of access to credit, access to affordable financial services, and access to the American dream of home ownership for people of all walks of life.

NCUA JOINS OTHER FEDERAL REGULATORS IN ISSUING PATRIOT ACT RULE PROPOSALS ON CUSTOMER IDENTIFICATION

The NCUA joined the Department of the Treasury and six other financial regulators in issuing Patriot Act rule proposals on customer identification. The new rules would require certain financial institutions to establish minimum procedures for identifying and verifying the identity of customers seeking to open new financial accounts. The proposed rules would also require determining whether the person appears on any list of known or suspected terrorists or terrorist organizations.

NCUA CHAIRMAN CONTINUES "ACCESS ACROSS AMERICA" INITIATIVE

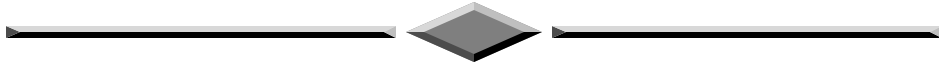
In September, Chairman Dollar held an Access Across America workshop in El Paso, Texas. The group, representing credit unions, league and trade organizations, community officials and congressional staff members, participated in the workshop, which was designed to enhance credit union CEO's and managers' ability to expand financial services to all financially underserved areas. At the El Paso workshop, Chairman Dollar voiced support for extending credit union services to the 12 million people living in the Colonias, the impoverished southwest U.S. –Mexico border area.

NCUA PROPOSES FOREIGN-BRANCHING PROCESS

At the September board meeting, the NCUA Board gave initial approval to a proposal that sets out the guidelines for federally-insured credit unions to establish foreign branches. Currently, only military credit unions are allowed to branch overseas.

NCUA MEETS WITH GAO TO PREPARE FOR REVIEW OF THE CREDIT UNION SYSTEM

At the request of Senate Banking Committee Chairman Paul Sarbanes, the U.S. General Accounting Office is conducting a review of the credit union system. The review will focus on how credit unions are carrying out their missions and serving their members and communities. NCUA has had an initial meeting with GAO as it begins its review.



FEDERALLY INSURED CREDIT UNION HIGHLIGHTS

Credit unions submit semiannual call reports (financial and operational data) to NCUA. An NCUA staff assessment of the June 30, 2002, 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

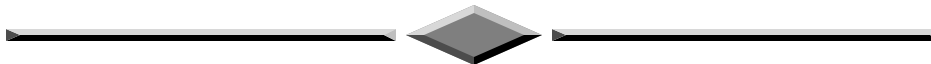
Looking at the June 30, 2002 semi-annual statistics for major balance sheet items and key ratios shows the following for the nation's 9,814 federally insured credit unions: assets grew 7.45 percent, up from \$501.5 to \$538.9 billion; loan to share ratio declined from 73.8 to 70.9 percent; equity grew 5.1 percent, up from \$54.8 to \$57.6 billion; net worth to assets ratio decreased from 10.8 percent to 10.6 percent; delinquency ratio decreased from .82 to .72 percent; and membership increased from 79.4 to 80.3 million people.

SAVINGS INCREASED IN FIRST SIX MONTHS OF 2002

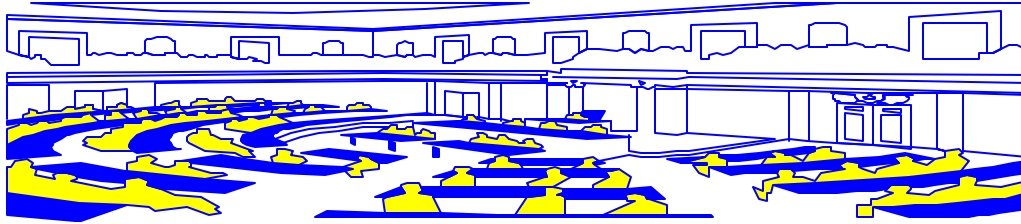
Savings increased 7.7 percent, up from \$437.1 to \$470.7 billion; regular shares increased 12.9 percent, up from \$149.4 to \$168.7 billion; share certificates decreased 3.7 percent, down from \$118.2 to \$113.8 billion; money market shares grew 15.3 percent, up from \$69.5 to \$80.1 billion; and IRA/KEOGH accounts grew 3.7 percent, up from \$39.6 to \$41.1 billion.

LOAN GROWTH ALSO INCREASED IN FIRST SIX MONTHS OF 2002

Lending grew 3.5 percent, up \$322.4 to \$333.6 billion. Several categories of lending saw positive growth. Used auto loans grew 4.8 percent to \$69.5 billion. The largest category of loans, first mortgage real estate loans grew 7.5 percent to \$95.8 billion. New auto loans increased 1.3 percent to \$61.0 billion.



LEGISLATIVE HIGHLIGHTS



NCUA DEVELOPING PROCEDURES FOR IDENTIFYING AND VERIFYING MEMBERS

NCUA, along with its fellow financial regulators, issued a joint proposed rule by the U.S. Department of Treasury requiring certain financial institutions, including credit unions, to establish minimum procedures for identifying and verifying the identity of customers/members seeking to open new financial accounts. The rule's purpose is to protect the U.S. financial system from money laundering and terrorist financing. The proposed rule implements section 326 of the USA PATRIOT Act. A final rule must be effective by October 25, 2002.

PREDATORY LENDING REMAINS ON BACKBURNER

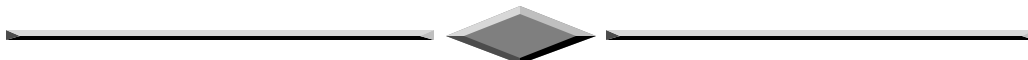
Congress and legislators continue to study ways to discourage predatory lending, either through new legislation or improved enforcement of existing laws and rules. Although a myriad of legislation was introduced at the start of the 107th Congress, it appears that the issue of predatory lending remains on the backburner as Congress wrapped up the second session of the 107th Congress.

BANKRUPTCY REFORM LAW STILL STALLED

The effort to see bankruptcy reform become law remains stalled over the issue of individuals who commit violent acts at abortion clinics. The current version of the proposed reform bill would, *inter alia*, preserve voluntary reaffirmation authority for credit union members. The White House has indicated that the President would sign a bankruptcy bill once it clears both chambers of Congress.

CENTRAL LIQUIDITY FACILITY BORROWING CAP INCLUDED IN FISCAL YEAR 2003 APPROPRIATIONS BILL

On July 25, 2002, the Senate Appropriations Subcommittee on VA, HUD and Independent Agencies, chaired by Sen. Barbara Mikulski (D-MD), marked up and approved its FY 2003 appropriations bill. The \$1.5 billion borrowing cap for CLF was included in the bill.

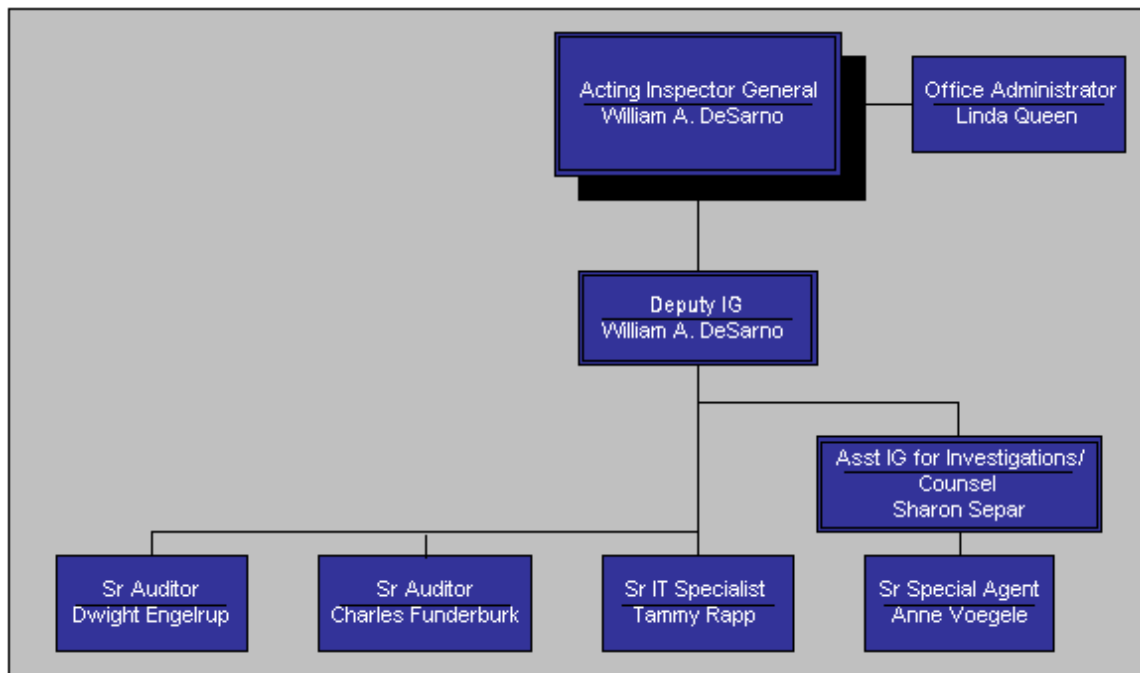


OFFICE OF THE INSPECTOR GENERAL

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

Results Act: Goal 1 Promote a System of Financially Sound Federally Insured Credit Unions **OIG-02-08 July 12, 2002**

The Government Performance Results Act of 1993 (Results Act) seeks to improve the effectiveness, efficiency, and accountability of federal programs. The Results Act requires government agencies to develop strategic plans, annual performance plans, and performance reports. The National Credit Union Administration (NCUA) performance plan must also include objective, quantifiable, and measurable performance goals.

For the year 2001, NCUA budgeted 70 percent of staff positions (692) and dollars (\$92 million) for the achievement of Goal 1 - "Promote a system of financially sound, well-managed, federally insured credit unions able to withstand economic volatility." Because of the amount of resources devoted to Goal 1, we selected that goal for our annual review.

NCUA identified three outcome goals for strategic Goal 1 for 2000, 2001, and 2002, namely: (1) ensure federally insured credit unions are financially healthy; (2) ensure credit union management is aware of and prepared to meet potential future financial challenges; and (3) maintain the healthy performance of the National Credit Union Share Insurance Fund (NCUSIF). The purpose of our review was to evaluate NCUA's performance in meeting and reporting on Strategic Goal 1 for 2000 and 2001. Our review emphasis was verification and validation of goal performance information reported to the NCUA Board and outside the agency.

Overall, we concluded that planning, operating plans, and progress in achieving Goal 1 were appropriate. We concluded that the call report system, and the methods used by the agency in verifying and validating the call report information for the identified goals, were appropriate. Our report provided four recommendations for improving goal planning and the call report process in the future.

Purchase Card Review
OIG-02-09 August 14, 2002

Recent reports by government auditing agencies have raised serious concerns over the adequacy of internal controls over the use of government credit cards. Reports of fraudulent and unauthorized expenditures have exposed a widespread pattern of abuse involving government contractor-issued travel and purchase cards. As a result, the National Credit Union Administration (NCUA) Office of Inspector General (OIG)

performed a review of NCUA's SmartPay Visa purchase card program. The objective of this review was to determine if there is any abuse of the NCUA purchase cards.

NCUA has 32 open purchase card accounts. All six regional offices and several central offices have at least one purchase card. We reviewed purchase card transaction activity for 31 purchase cards (the OIG purchase card was excluded from this review) for the period from June 2000 through November 2001.

A judgmental sample of 122 transactions for 26 purchase cards was selected for review. We did not identify any abusive purchases using the NCUA Visa purchase cards. However, we did identify several weaknesses in purchase card internal controls and management.

Specifically, we found that purchase card policies and procedures are not comprehensive. We found that purchase card policies and procedures are derived from various sources, including verbal (non-documented) guidance, memoranda, NCUA Instructions, and ad hoc cardholder office forms. While there are some basic internal controls in place, we observed that actual controls varied from office to office, and in most offices there were instances of non-compliance with those controls.

The report resulting from this review offers ten recommendations to improve controls over the purchase card program.

Travel Card Review
OIG-02-10 September 16, 2002

Concurrent with our review of purchase cards (see above), the OIG performed a review of NCUA's SmartPay Visa travel card program. The objective of this review was to determine if, and to what extent, NCUA employees are misusing NCUA travel credit cards.

At the time of our review, NCUA had issued 957 individually billed government travel cards to pay expenses of NCUA personnel during official travel. We reviewed the activity on 158 individually billed travel card accounts for the period January 2000 through November 2001. We identified charges where the type of vendor and/or location of the vendor seemed to indicate that the charges were not for official government travel.

Our review identified 69 of 158 individually billed travel cards as having possibly been misused. Of the 69 travel cards with possible misuse charges, 37 had three or less suspect charges (possible misuse/inappropriate use) and 23 had suspect charges of \$100 or less. However, 15 cards (9.5%) had eleven or more suspect charges and 22 cards (14%) had charges in excess of \$500. We further noted that past due accounts accounted for most of the suspect charges. NCUA had 34 past due accounts at the time of our review and they accounted for 60% of the number of suspect charges in our sample and 47% of the dollar value of the suspect charges.

The most frequent misuse charges to the NCUA travel card were for grocery stores, restaurants in the employee's duty station, and various retail establishments. We also noted that some employees used their travel card for office supplies, professional publications and representation expenses. While recognizing that these represent official business expenses, NCUA's travel charge card policy in effect at the time of our review was unclear as to what circumstances, if any, would warrant an employee using the NCUA travel card for these expenses.

The report resulting from this review makes nine recommendations to improve the NCUA travel card program.

Independent Evaluation of NCUA's Information Security Program Required By Government Information Security Reform Act 2002
OIG-02-11 September 30, 2002

The Government Information Security Reform Act (GISRA) requires each Federal agency to develop, implement, and review a comprehensive agency-wide security program. The Act pertains to all systems supporting all operations of the agency including those systems currently in place or planned.

During 2002, the Office of Inspector General (OIG) contracted with Urbach Kahn & Werlin, LLP SACteam™, Information Risk Management Services Group (UKW), to evaluate the agency-wide plan, as well as each individual system security plan and risk assessment in depth. In addition, implementation of prior security related audit recommendations and the agency's plans of action and milestones were evaluated.

The primary objective of this review was to assess whether controls required to be established as provided by GISRA and prior promulgation (OMB A-130 Appendix III; Computer Security Act of 1987; Clinger-Cohen Act of 1996; the Paperwork Reduction Act of 1995, et al.) are in place and operating as designed.

The NCUA OIG determined that NCUA is actively working towards compliance with GISRA. Risk assessments and security plans were completed for all but one of NCUA's mission critical systems. Specifically, a risk assessment and corresponding security plan was not completed for the General Service Administration (GSA)'s Payroll, Accounting and Reporting System (PAR). Subsequent to our review, NCUA contacted GSA and performed a risk assessment and prepared a security plan for PAR. In addition, we noted and detailed conditions of risk and made recommendations for improvement relevant to each of the applications reviewed.

The OIG supports reporting NCUA's GISRA compliance at Level 2. The majority of the critical elements under review are rated at Level 2 (e.g., policies and procedures are in draft format) or Level 3 (e.g., the relevant policies and procedures are approved and implemented).

OIG Report to OMB on NCUA Compliance With Government Information Security Reform Act 2002
OIG-02-12 September 16, 2002

The Government Information Security Reform Act (GISRA), Public Law 106-398, requires Inspectors General (IG) to perform independent evaluations to:

- Assess compliance with GISRA and agency security policies and procedures; and
- Test effectiveness of information security control techniques for a subset of the agency's information systems.

The NCUA OIG performed three reviews during the reporting cycle that tested effectiveness of information security and internal controls:

- On March 7, 2002, the OIG issued a report containing an Evaluation of Project Risks Associated with an Upgrade to Comprehensive Human Resources Integrated System (CHRIS);
- On March 31, 2002, the OIG issued the Financial Statement Audit Report for the year ended December 31, 2001; and
- On September 16, 2002, the OIG issued a report containing an evaluation of NCUA's compliance with the Government Information Security Reform Act.

The overall objective of this review was to perform an independent evaluation as required by GISRA in order to assess compliance with GISRA and agency security policies and procedures. To fulfill the objectives of the review, we performed a detailed review of NCUA's risk assessments, security plans, and other relevant documents where available. In addition, we interviewed each of the designated systems business owners in order to execute a compliance gap analysis for each of the major computer systems. The procedures also included reviewing available documentation to determine:

- The level of compliance for each of the critical elements under review;
- Items requiring a corrective action plan; and
- Accepted risks associated with each system.

The NCUA OIG determined that NCUA is actively working towards compliance with GISRA. The report made specific recommendations to management that address concerns identified during this review.

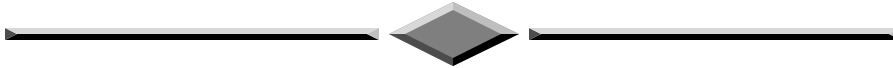
AUDITS IN PROGRESS

Review of Region II Member Complaint Process

We are in the process of completing a review of NCUA Region II's Member Complaint Process. Our review objectives are to determine and evaluate the current process for resolution of credit union member complaints submitted to NCUA's Region II, and to determine the effectiveness of the Region II member complaint process.

SIGNIFICANT AUDIT RECOMMENDATIONS ON WHICH CORRECTIVE ACTION HAS NOT BEEN COMPLETED

As of September 30, 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	16
Contacts initiated during reporting period	6
Contacts closed for lack of verifiable evidence or referred to another office	0
Reports issued and/or matters closed	15
Management Implication Reports issued	0
Matters Remaining Open	7

OFFICE OF INVESTIGATIONS ACTIVITIES

CLOSED INVESTIGATIONS

Misuse of Travel Card (I-RVI-01-05; I-CO-01-09; I-CO-01-10; I-CO-02-02; I-CO-02-03; I-CO-02-04; I-CO-02-05; I-CO-02-07; I-CO-02-08; I-CO-02-09; I-RII-02-10; I-CO-02-11; I-I-CO-02-12; and CO-RIV-13)

Based on separate referrals as well as its own proactive reviews, the OI investigated and closed fourteen (14) cases involving questionable charges appearing on NCUA employees' government travel charge card reports. Seven (7) of these cases revealed charges for business-related expenses that the agency had not theretofore clearly identified to employees as non-allowable. Based on the OIG's comprehensive review report on this matter as well as the individual reports of investigation issued, NCUA has since redrafted its agency-wide guidance on these types of expenses to provide greater clarification.

Investigation revealed further that two (2) employees were found to have misused the card for personal expenses. The agency is currently deliberating appropriate disciplinary action in both cases.

In another case, the investigation determined conclusively that an employee had repeatedly used the government charge card for personal purchases totaling approximately \$2,500. After the employee's initial interview, investigation determined that the employee had given false testimony. The false statement and the issues surrounding it were presented to the United States Attorney's office for prosecutorial consideration. Prosecution was declined, and administrative Kalkines warnings were authorized. The employee was re-interviewed and was administered Kalkines immunity. The employee made additional false statements in violation of the Kalkines warnings. The employee resigned subsequent to the issuance of the OIG report

Two (2) cases that presented questionable charges revealed, after interviews under oath with the employees involved, respectively, that the expenses were in fact travel-related and, therefore, appropriately charged to the card.

Finally, two (2) employees disclosed, respectively, during investigative interviews that single instances of personal use of the card were attributable to inadvertently using the government card rather than their personal card. In both instances, employees showed investigators their personal charge cards evidencing the marked similarity between the two that purportedly resulted in the inadvertent misuse. Both employees were counseled regarding the need for vigilance in segregating personal and government charge cards.

Mismanagement/Abuse of Authority (I-RII-02-01)

The OI, after reviewing numerous complaints alleging mismanagement/abuse of authority on the part of a manager, found allegations insufficient to warrant continuance of investigation.

OPEN INVESTIGATIONS

During this reporting period, the OI carried over one case from the previous reporting period, involving misuse of the government travel charge card. Moreover, the OI is currently investigating four (4) additional cases of employee credit card misuse. In addition, the OI has one (1) case open concerning allegations of false claims and one (1) open case involving misconduct in carrying out official duties.

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 15 items, including proposed and final changes to legislation, regulations, and agency Interpretive Ruling and Policy Statements (IRPS).

SUMMARY OF STATUTES AND REGULATIONS REVIEWED	
Legislation	
H.R. 5005	“The Homeland Security Act”
H.R. 4561	“Federal Agency Protection Privacy Act”
H.R. 3951	“Financial Services Regulatory Relief Act”
Regulations/Rulings	
	Title
IRPS 02-01	Final IRPS, “Supervisory Review Committee”
12 CFR 701	Final Rule, “Organization and Operations of FCU’s”
IRPS 02-3	Notice of Final IRPS, “Allowance for Loan and Lease Losses, Methodologies and Documentation for Federally-Insured CU’s”
31 CFR 103	Proposed Rule, “Customer Identification Program” (pursuant to the USA PATRIOT Act
31 CFR 103	Interim Rule, “FINCEN; Special Information Sharing Procedures to Deter Money Laundering and Terrorist Activity”
12 CFR 702, 741, 747	Notice of Proposed Rulemaking, “Prompt Corrective Action”
31 CFR 103	Interim Final Rule, “FINCEN: Anti-Money Laundering Programs for Financial Institutions”
12 CFR 703, 704	Proposed Rule, “Investment and Deposit Activities; Corporate CU’s”
	Letter to SEC re: “Notice of Application of CU for Exemptive Relief under Sections 15 and 36 of the Exchange Act”
12 CFR 740	Notice and Request for Comment, “Accuracy of Advertising and Notice of Insured Status”
12 CFR 701	Proposed Rule Regarding Benefits for Employees of FCU’s, “Organization and Operations of FCU’s”
12 CFR 703, 742	Proposed Rule with Request for Comments, “Investment and Deposit Activities and Regulatory Flexibility Program”

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 APRIL 1, 2002 THROUGH SEPTEMBER 30, 2002		
PART I – AUDIT REPORTS ISSUED		
Report Number	Title	Date Issued
OIG-02-08	Results Act: Goal 1 Promote a System of Financially Sound Federally Insured Credit Unions	7/12/02
OIG-02-09	Purchase Card Review	8/14/02
OIG-02-10	Travel Card Review	9/16/02
OIG-02-11	Independent Evaluation of NCUA's Information Security Program Required by the Government Information Security Reform Act	9/30/02
OIG-02-12	OIG Report to OMB on NCUA Compliance With Government Information Security Reform Act 2002	9/16/02
PART II – AUDITS IN PROCESS (as of September 30, 2002)		
	Review of NCUA Region II Member Complaint Process	

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