



National Credit Union Administration
Office of the Chief Financial Officer

BOARD ACTION MEMORANDUM

TO: The NCUA Board **DATE:** November 17, 2020
FROM: Chief Financial Officer **SUBJ:** Reprogramming Request

ACTION REQUESTED: Request for approval of reprogramming \$1,721,000 of projected unspent 2020 travel budget to fund NCUA response and activities related to the coronavirus pandemic in 2020 and \$2,600,000 of projected unspent 2020 travel budget to fund renovation of the NCUA Central Office building.

DATE ACTION REQUESTED: November 19, 2020

OTHER OFFICES CONSULTED: Office of the Executive Director
Office of the Chief Information Officer
Office of Examination and Insurance

VIEWS OF OTHER OFFICES CONSULTED: Concur

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes

RESPONSIBLE STAFF MEMBERS: James S. Holm, Supervisory Budget Analyst, Office of the Chief Financial Officer.

SUMMARY: The NCUA's response to the coronavirus pandemic has led to a number of unplanned and unbudgeted expenses for various information technology and operational support activities. The Office of the Chief Financial Officer (OCFO) estimates that approximately \$1.7 million is required for NCUA initiatives and efforts related to the pandemic, the individual costs for which exceed delegated reprogramming authorities. Additionally, OCFO has identified a need for \$2.6 million in funding to complete several important renovation projects for the NCUA Central Office building. Central Office building renovations have been underway for several years, and this request funds the final phase of this program.

The COVID-19 pandemic and resultant changes in NCUA's operating posture have resulted in much lower-than-planned spending on NCUA employee travel. OCFO currently estimates that the agency will end 2020 with a travel-related surplus of approximately \$18 million.¹

This memorandum discusses the specific pandemic-related expenses the agency has and expects to incur, as well as the estimated costs for Central Office building renovations, and recommends using a portion of the projected unspent travel budget to fund these costs.

¹ OCFO estimate as of 10/30/2020; actual surplus will vary.

Pandemic-related Expenses

Information Technology

Since March 2020 nearly all NCUA employees have performed their duties in a mandatory telework/offsite examination posture, which has resulted in increased spending on conference calling services, virtual meeting software, and data capacity for computer networks. In addition, the Office of the Chief Information Officer developed improved reporting capabilities that enable the NCUA's senior management team to understand and respond more efficiently to pandemic-related risks. In total, approximately \$0.8 million is required for these costs, as shown in the following table:

	2020
Virtual meeting software licenses	\$177,000
Conference calling services	\$121,000
Network capacity and connectivity	\$113,000
Business application development and support	\$353,000
Total, Information Technology	\$764,000

Operational Planning

Since the necessary shift to an offsite work policy due to COVID-19, the agency has been conducting examination work offsite. During most of these offsite exams, NCUA staff were able to perform substantial examination procedures and complete the examination. The NCUA anticipates that examiners will continue using tools they leveraged during the offsite posture even after the current pandemic has passed. The NCUA plans to evaluate the successes and challenges examiners have been experiencing while working remotely, and develop best practices for using these tools in the future. To support this effort, \$700,000 is included in this reprogramming.

The NCUA has several initiatives in process to improve and modernize how the agency conducts examinations and supervision. The goals of these initiatives are to replace outdated, end-of-life examination systems, streamline processes, adopt enhanced examination techniques, and leverage new technology and data to maintain high quality supervision of federally insured credit unions with less onsite presence.

In 2017, the NCUA Board approved the virtual examination project and associated resources to research methods to conduct offsite as many aspects of the examination and supervision processes as possible. Currently, the program is in the research and discovery phase. During this phase, the team is researching ways the agency can harness new and emerging data, assess advancements in analytical techniques, and utilize innovative technologies. Additionally, the team is identifying ways to improve its supervisory approach and to move to a more virtual-based examination model in the next five to ten years.

Facilities, Supplies, and Other Contract Services

In order to ensure efficient and sanitary operation of the NCUA's heating, ventilation, and air conditioning (HVAC) system, funding is needed for enhanced cleaning of the system. The

NCUA also purchased personal protective equipment for its workforce and cleaning supplies. In total, approximately \$0.3 million is required for these costs, as shown in the following table:

	2020
Central Office HVAC enhanced cleaning and maint.	\$137,000
Personal protective equipment and cleaning supplies	\$120,000
Total, Facilities and Supplies	\$257,000

Central Office Renovations

There are several improvements planned for the NCUA Central Office building, which will allow the NCUA to consolidate its DC-area workforce in agency-owned space, enhance visitor and occupant security, improve the usability of the NCUA training center, and expand the availability of office and meeting spaces. The total estimated cost to complete these improvements is approximately \$4.8 million, of which the NCUA Board has already provided \$2.2 million in past budgets. An additional \$2.6 million is required to ensure completion of these projects as expeditiously as possible.

Funding Sources

The pandemic has significantly reduced agency travel, and OCFO currently projects that \$18 million budgeted for travel-related costs will remain unspent by the end of the year. As a result, unspent travel funds can be reprogrammed to pay for the 2020 costs necessary to respond to the coronavirus pandemic and to complete Central Office building renovations.

RECOMMENDED ACTION: It is recommended that the NCUA Board approve reprogramming a total of \$4,321,000 from unspent 2020 travel budgets for agency coronavirus response activities and Central Office renovations, which shall remain available for obligation through 2021, as described in this memorandum.

Attachment:

2020 Projects with Costs Exceeding Delegated Reprogramming Authorities	
(amounts in thousands of dollars)	
	2020
	<u>Estimate</u>
<u>Information Technology expenses</u>	
Virtual meeting software licenses.....	177
Conference calling services.....	121
Network capacity and connectivity.....	113
Business application development and support.....	353
<u>Operational Planning expenses</u>	
Virtual examination design and implementation.....	700
<u>Facilities and Supplies expenses</u>	
Central Office HVAC enhanced cleaning.....	137
Personal protective equipment and cleaning supplies.....	120
Total, COVID-19 pandemic response.....	1,721
Central Office renovations.....	2,600
Grand Total, 2020 estimate.....	4,321