# TABLE OF CONTENTS

INSPECTOR GENERAL’S MESSAGE .................................................. i
NCUA AND OFFICE OF INSPECTOR GENERAL MISSION STATEMENTS .................................................. 1
INTRODUCTION ........................................................................... 2
NCUA ORGANIZATIONAL CHART .................................................. 5
NCUA HIGHLIGHTS ................................................................. 6
FEDERALLY INSURED CREDIT UNIONS HIGHLIGHTS ...................... 8
LEGISLATIVE HIGHLIGHTS ....................................................... 10
OFFICE OF THE INSPECTOR GENERAL ...................................... 12
  Audit Activity ........................................................................... 14
  Investigative Activity ........................................................... 19
  Legislative and Regulatory Reviews ....................................... 23
TABLE I – REPORTS WITH QUESTIONED COSTS .................... 25
TABLE II – REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE ......................... 26
TABLE III – SUMMARY OF OIG ACTIVITY ............................... 27
INDEX OF REPORTING REQUIREMENTS ................................... 28
It is my pleasure to submit this Semiannual Report on the accomplishments of the National Credit Union Administration (NCUA) Office of the Inspector General (OIG) for the six-month period ending on March 31, 2006. This period has been a very active one for both the agency and our office. Significantly, the agency saw the Senate confirmation of two new members to the NCUA Board, Vice Chairman Rodney E. Hood and Board member Gigi Hyland. We welcome both new Board members and look forward to forging with them the same positive relationship we currently share with Chairman JoAnn Johnson.

Inspired by changes at the NCUA Board level, we have for the first time since our office's inception changed the format of our Semiannual Report. Drawing on the exceptional talents on our own staff, we conceived and designed the new visual format you see here and produced what we hope you will agree is a more professional and polished Semiannual Report.
Further changes in our office include the selection of a new outside independent contractor, Grant Thornton, to conduct NCUA’s annual information security evaluations required by the Federal Information Security Management Act (FISMA). As a result of this selection, we anticipate a more streamlined and productive dialogue with agency managers to achieve optimal information security reporting.

Within the OIG we are continuing to improve ourselves and our work environment. The OIG is committed to delivering high quality professional audit and investigative services to help management improve NCUA programs and operations. To that end, we will provide timely, accurate and fact-based audits, inspections, evaluations, and investigations to help NCUA carry out its mission.

William A. DeSarno
Inspector General
THE NCUA MISSION

NCUA’s mission is to foster the safety and soundness of federally insured credit unions and better enable the credit union community to extend financial services for provident and productive purposes to all who seek such service while recognizing and encouraging credit unions’ historical emphasis on extension of financial services to those of modest means.

THE OFFICE OF INSPECTOR GENERAL MISSION

The OIG promotes the economy, efficiency, and effectiveness of NCUA programs and operations, and detects and deters fraud, waste, and abuse, thereby supporting the NCUA’s mission of monitoring and promoting safe and sound federally insured credit unions.

We accomplish our mission by conducting independent audits, investigations, and other activities, and by keeping the NCUA Board and the Congress fully and currently informed of our work.
INTRODUCTION

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. The NCUA is funded by the credit unions it supervises and insures. As of December 31, 2005, the NCUA was supervising and insuring 5,393 federal credit unions and insuring 3,302 state-chartered credit unions, a total of 8,695 institutions. This represents a loss of 179 federal and 140 state-chartered institutions since December 31, 2004, for a total loss of 319 credit unions nationwide.

The 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 NCUA, including the NCUA Operating Fund, the Share Insurance Fund, the Central Liquidity Facility, and the Community Development Revolving Loan Fund.

The NCUA executes its program through its central office in Alexandria, Virginia and regional offices in Albany, New York; Alexandria, Virginia; Atlanta, Georgia; Austin, Texas; and Tempe, Arizona. The NCUA also operates the Asset Management and Assistance Center (AMAC) in Austin, Texas. Please refer to the NCUA organizational chart on page 5.
The NCUA Board adopted its 2006 budget of $150,788,525 on November 29, 2005. The Full-Time Equivalent (FTE) staffing authorization for 2006 is 958, a reduction of 3 positions from the 2005 total of 961.
NCUA ORGANIZATIONAL CHART

NCUA Board & Chairman

Office of Inspector General
Executive Director
General Counsel

Central Offices
- Office of Corporate Credit Unions
- Office of the Chief Financial Officer
- Office of the Chief Information Officer
- Office of Office of Small Credit Union Initiatives
- Office of Examination and Insurance
- Office of Executive Director
- Office of General Counsel
- Office of Human Resources
- Office of Public and Congressional Affairs
- Office of Office of Capital Markets and Planning

Regional Offices
- Region I - Albany
- Region II - Capital
- Region III - Atlanta
- Region IV - Austin
- Region V - Tempe
- Asset Management and Assistance Center
NCUA HIGHLIGHTS

NCUA PROPOSES FIELDS OF MEMBERSHIP AMENDMENTS

At its January 19, 2006 meeting, the NCUA Board issued a proposed rule change that would limit underserved area expansions to multiple common bond credit unions as well as revise underserved area service facility requirements. The NCUA had previously issued a moratorium suspending the addition of new underserved areas in single common bond and community federal credit unions in December 2005. The moratorium was in response to an American Bankers Association lawsuit challenging NCUA's approval of America First Federal Credit Union's addition of underserved areas. The NCUA Board also recommended that the rule include a provision insuring a physical presence be established in an added underserved area to ensure an active credit union role and better serve local residents. The agency is currently reviewing comments received on the proposed rule.

NCUA BEGINS COLLECTING DATA ON MEASURING SERVICE TO FEDERAL CREDIT UNION MEMBERS

In a letter to federal credit unions issued in February 2006, NCUA began the process of collecting two types of data: (1) information to profile credit union membership; and (2) information on credit unions’ senior management compensation and benefits. NCUA initiated the data collection effort in response to specific congressional requests to measure service provided by credit unions. The data collection will also respond to questions raised by the Government Accountability Office (GAO) in its October 2003 report on credit unions and raised again during its most recent follow-up audit.
HOOD, HYLAND SWORN IN AS NCUA BOARD MEMBERS

On November 15 and 18, 2005 respectively, Rodney E. Hood and Christiane Gigi Hyland were sworn in as new NCUA Board Members. The United States Senate had confirmed both Hood and Hyland as Members of the NCUA board on November 7. Vice Chairman Hood’s experience spans 17 years in the public and private sector. Most recently, Mr. Hood served as associate administrator of the Rural Housing Service at the U. S. Department of Agriculture. Board Member Hyland has 14 years of experience within the credit union system. Most recently, she served as Senior Vice President and General Counsel to Empire Corporate Federal Credit Union in Albany, New York.

CHAIRMAN JOHNSON TESTIFIES ON CREDIT UNION TAXATION

In testimony before the House Ways and Means Committee on November 3, 2005, Chairman Johnson told Committee Members that America’s credit unions’ tax exemption is vital to the long-term stability and safety and soundness of the nation’s credit union system, as well as consumer choice in the marketplace. Johnson pointed out the Administration’s support for the exemption and Congressional policy favoring the continued tax exemption for credit unions as important public policy. Chairman Johnson urged the Committee to consider the adverse consequences of taxing credit unions, including “pressure on credit unions to move away from their not-for-profit cooperative structure causing a systemic risk throughout the system.”
FEDERALLY INSURED CREDIT UNION HIGHLIGHTS

Credit unions submit quarterly call reports (financial and operational data) to the NCUA. An NCUA staff assessment of the December 31, 2005, quarterly call reports submitted by all federally insured credit unions found that key financial indicators were somewhat stable.

KEY FINANCIAL INDICATORS MIXED FOR 2005

Looking at the December 31, 2005 quarterly statistics for major balance sheet items and key ratios shows the following for the nation’s 8,695 federally insured credit unions: assets grew 5.4 percent, or $34 billion; net worth to assets ratio increased from 10.97 to 11.24 percent; the loan to share ratio increased from 74.49 percent to 79.36 percent; the delinquency ratio increased slightly from .72 to .73 percent; and credit union return on average assets decreased from .92 percent to .85 percent. The number of problem credit unions (CAMEL rated 4&5) has been increasing for the past five years, from 202 problem credit unions at the end of 2000 to 280 credit unions at the end of 2005. However, as of March 2006, the number of problem credit unions dropped to 269.

SAVINGS INCREASED MARGINALY

Total insured share accounts increased 3.0 percent to $514 billion. Regular shares comprise 33.4 percent of total share accounts; share certificates comprise 26.4 percent; money market shares comprise 17.1 percent; share draft accounts comprise 13.4 percent; and 9.8 percent is in other share accounts.
LOANS INCREASED AND INVESTMENTS DECREASED

Loan growth of 10.62 percent resulted in an increase in total loans by $44.0 billion. Total net loans of $454.9 billion comprise 67 percent of credit union assets. First mortgage real estate loans increased 11.4 percent and other real estate loans increased 18.7 percent. First mortgage real estate loans are the largest single asset category with $137.1 billion accounting for 31.5 percent of all loans. Other real estate loans of $73.5 billion account for 16 percent of all loans. Used car loans of $86.6 billion were 19 percent of all loans, while new car loans amounted to $84.0 billion or 18% of total loans. Note that 70.5 percent of all auto loans are through indirect lending programs. Credit card loans totaled $21.2 billion or 5 percent of total loans and other unsecured loans totaled $21.2 billion for 5 percent of total loans. The remaining 5 percent of loans was $22.7 billion in other loans. Included in this last category are Member Business Loans which increased 33.5 percent in 2005. Total investments decreased 7.3 percent to $148 billion. Investments with maturities less than one year account for 53.9 percent of all credit union investments.
LEGISLATIVE HIGHLIGHTS

NCUA MODIFIES SHARE INSURANCE COVERAGE

On March 17, 2006, the NCUA Board issued an interim final rule amending share insurance to clarify coverage and implement changes required by share insurance reform Congress enacted in February 2006. While the interim rule increased share insurance limits to $250,000 for retirement accounts, it retained the $100,000 insurance limit for all other types of share accounts. NCUA and the Federal Deposit Insurance Corporation (FDIC) coordinated their share and deposit insurance interim rules regarding coverage amounts. Both agencies will jointly review insurance protection levels every five years to ensure deposited funds remain fully protected now and in the future.

NCUA CHAIRMAN JOHNSON TESTIFIES ON REGULATORY RELIEF

On March 1, 2006, Chairman Johnson testified before the Senate Banking, Housing and Urban Affairs Committee, presenting recommendations on regulatory relief for credit unions. Reiterating many of the regulatory relief recommendations prescribed in 2005, Chairman Johnson said the agency continues to seek a statutory change authorizing NCUA to implement a risk-based prompt corrective action (PCA) system for federally insured credit unions. She encouraged the Committee to consider changes to member business lending to improve credit unions' ability to provide a source of needed credit to small businesses.
FEDERAL FINANCIAL REGULATORY AGENCIES FINALIZE FACT ACT RULES ON MEDICAL INFORMATION

On November 17, 2005, the federal bank, thrift, and credit union regulatory agencies issued final rules under the Fair Credit Reporting Act (FCRA) that create exceptions to the statutory prohibition against obtaining or using medical information in connection with credit eligibility determinations. The final rules, which are substantially identical to the interim final rules issued by the agencies in June 2005, also address the sharing of medically related information among affiliates. The effective date for these final rules is April 1, 2006.
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, Counsel to the Inspector General, Assistant Inspector General for Audits, Director of Investigations, two Senior Auditors, Senior Information Technology Auditor, and Office Manager.

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.
William DeSarno
Inspector General

Sharon Regelman
Office Manager

NCUA Office of Inspector General

Sharon Separ
Counsel to the IG

Anne Voegele
Director of Investigations

Jim Hagen
Assistant IG for Audits

Charles Funderburk, CPA
Senior Auditor

Dwight Engelrup, CPA
Senior Auditor

Tammy Rapp, CPA, CISA
Senior IT Auditor
AUDIT ACTIVITY

AUDIT REPORTS ISSUED

OIG-05-10 – October 26, 2005
OIG AUDIT REPORT SURVEY OF SHARE INSURANCE FUND LOSSES

The National Credit Union Share Insurance Fund (NCUSIF) reports insurance losses due to failed federally insured credit unions. Several NCUA offices are involved in recording and reporting of such losses. The NCUA OIG performed an audit survey to assess the accuracy and reliability of reported insurance losses for credit unions that failed in 2004.

We determined that the number of failed credit unions and their related insurance losses for the year ended December 31, 2004, were reported inconsistently among several offices. As a result, the number of failures reported in 2004 varied from 18 to 21 federally insured credit unions. The reported insurance losses for those failures ranged from $12.9 to $14.1 million. This was caused primarily by not having a clear and consistent cut-off date for recording and reporting insurance losses. We obtained insurance loss information for the year ended December 31, 2004, from the Office of the Chief Financial Officer (OCFO), the Office of Examination and Insurance (E&I), the NCUA Asset Management and Assistance Center (AMAC), and from all five NCUA Regional Offices.

We assessed inherent risks, reviewed insurance loss recording and reporting procedures, and compared credit union failures and insurance losses among various reports. We also conducted an analysis of the data provided and conducted
interviews with management to address the discrepancies we identified.

Regional and AMAC insurance loss data for failed credit unions are communicated to OCFO and E&I by different means and for different purposes. The source information for insurance losses is continually updated for any given reporting period with no consistently defined period cut-off posting date. Consequently, the information reported is dependent upon its run date. Moreover, no reconciliation is performed between source data and reported data for accuracy and consistency.

We offered two recommendations to clarify and improve reporting of losses to the Share Insurance Fund.

OIG-05-11 – November 22, 2005

AUDIT MEMORANDUM: EMPLOYEE TAX WITHHOLDINGS

The NCUA OIG performed a proactive review of NCUA employees’ compliance with personal federal income tax obligations. We initiated this project as a joint audit and investigative engagement. The overall objective was to identify any NCUA employees who may be delinquent in paying federal income taxes.

The scope of this engagement was to review and analyze employee federal tax withholdings in 2004, as reported on employee Internal Revenue Service (IRS) W-2 forms.

We identified three employees who had $0 federal income tax withheld in 2004. The employees had gross wages of $72,328, $26,480 and $3,206, respectively. All three of the employees claimed to be exempt from federal income tax on their federal withholding tax forms. In addition, we identified two employees who had an effective federal tax withholding rate of 0%. These two employees had gross wages of $99,996 and
$29,872, respectively. The former—with $99,996 in gross wages—claimed a married tax status with 16 exemptions.

Overall, our review revealed relatively few employees with no federal withholding taxes. The few instances of questionable withholdings were referred to the OIG Director of Investigations for investigative consideration.

Our contracting audit firm, Deloitte & Touche LLP, issued opinions on the 2005 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 Fund. The auditors found that the financial statements presented fairly the financial position of the agency's funds as of December 31, 2005. The firm issued its opinions on March 24, 2005.

**The NCUA Operating Fund (OIG-06-01)** 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 2005 were $64.1 million, up from $55.8 million in 2004.

**The National Credit Union Share Insurance Fund (OIG-06-02)** 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 2005 were $6.7 billion, up from $6.4 billion in 2004.

The Central Liquidity Facility (OIG-06-03) 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 Central Liquidity Facility’s (CLF) financial statements. The CLF’s total assets for 2005 were $1.5 billion, up from $1.4 billion in 2004.

The Community Development Revolving Loan Fund’s (OIG-06-04) 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 Fund’s financial statements. The Community Development Revolving Loan Fund’s total assets for 2005 were $16.5 million, up from $15.1 million in 2004.

The financial auditors did not find any matters considered to be material weaknesses in their review of the Funds’ 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.
AUDITS IN PROGRESS

RISK FOCUSED EXAMS
The NCUA expends significant resources to ensure the safe and sound operation of Federal credit unions. The major NCUA effort in this area is the performance of risk focused examinations (RFE) and supervision. The current RFE program was initiated in 2002.

The OIG is conducting a national review of certain aspects of the RFE program. The audit objective is to determine if NCUA has a process in place to provide assurance that high risk areas are identified and addressed through the risk focused examination process.

INDIRECT LENDING
Indirect lending is an arrangement where a credit union contracts with a merchant to originate loans at the point of sale. The NCUA has designated indirect lending as a high risk lending activity and issued several guidance documents regarding indirect lending. This has been a growth area for lending in the past several years. As of June 30, 2005, 18.7 percent of credit unions have instituted indirect lending programs. The OIG will determine if NCUA is ensuring that credit unions are addressing the risks associated with their indirect lending programs.

SIGNIFICANT AUDIT RECOMMENDATIONS ON WHICH CORRECTIVE ACTION HAS NOT BEEN COMPLETED
As of March 31, 2006, there were no significant audit recommendations on reports issued over six months ago that have not been either fully implemented or are in the process of implementation.
INVESTIGATIVE ACTIVITY

In accordance with professional standards and guidelines established by the Department of Justice, the OIG performs investigations of criminal, civil, and administrative wrongdoing involving agency programs and personnel. Our investigative program 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 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.

Moreover, we receive complaints from credit union members and officials that involve NCUA employee program responsibilities. We examine these complaints to determine whether there is any indication of NCUA employee misconduct. If not, we refer the complaint to the appropriate regional office for response, or close the matter if contact with the regional office indicates that the complaint has already been appropriately handled.

OIG HOTLINE CONTACTS

The OIG maintains a toll free hotline to enable employees and citizens to call with information about waste, fraud, abuse or mismanagement involving agency programs or operations. We also receive complaints through an off-site post office box, from electronic mail, and facsimile messages. All
information received from any of these sources is referred to as a hotline contact. The OIG hotline program is handled by our Office Manager, under the direction of our Director of Investigations. The majority of hotline contacts are from consumers seeking help with a problem with a credit union. These contacts are referred to the appropriate NCUA regional office for assistance. During this reporting period, we referred 119 consumer complaints to regional offices.

In our last Semiannual Report, we reported on a rash of Phishing attempts made by individuals using the NCUA name and logo in an effort to obtain personal and financial information from credit union members. We also reported on the efforts of the NCUA’s Chief Information Officer, working in conjunction with the FBI; Secret Service; Department of Homeland Security; United States Attorney’s Office and others in an effort to educate the public and stem the volume of these attempts. During this reporting period, the number of referrals reported to us dropped from 600 in the last period to approximately 400 during this period.

INVESTIGATIONS

During the last reporting period the Office of Investigations initiated three new investigations and closed three.

FALSE STATEMENTS/ ETHICS ISSUES

One closed investigation involved allegations that an NCUA examiner had made false statements on his job application regarding his removal from a previous federal position and
that he had physically threatened a federal manager related to a personal matter. The OIG investigation determined that while the employee had been removed from previous federal employment his removal was ten years prior to his employment with the NCUA. The employee's application to the NCUA required information about the previous five years and therefore the employee was not obligated to disclose his removal. The threat allegation was not substantiated.

**FALSE CLAIMS/ETHICS ISSUES**

This investigation was referred to the OIG from the Treasury Department OIG. The employee had been employed by the Treasury and left to work for the NCUA during the Treasury OIG's investigation. The employee was alleged to have improperly obtained and retained monies given him for a directed reassignment to another region. While the investigation found no evidence of false claims or misrepresentations, it did determine that the employee had retained relocation monies to which he was not entitled. The Treasury Department recouped most of the money through the withholding of the employee's last paycheck. The Treasury Department elected not to pursue a recovery of the remaining funds. During this investigation, additional issues were developed regarding ethics issues related to this employee. The specific incidents were substantiated, but occurred while the employee was at the Treasury Department and therefore no action was taken by the NCUA. The employee was advised of the investigation and advised of his obligations under Federal ethics requirements.
FALSE STATEMENTS

In our last Semiannual Report, we reported on an investigation involving a career NCUA Examiner who had provided false information during a routine background investigation, and when questioned about the alleged false information, reiterated his original false statement. The OIG investigation developed numerous instances spanning twenty years of the employee providing false or misleading information on official documents. The employee was interviewed by the OIG under Kalkines Warnings during which he provided additional false and misleading information. The agency removed the employee and the employee appealed to the Merit Systems Protection Board (MSPB). The OIG Director of Investigations and the Inspector General gave depositions and testified at the MSPB hearing. As of the date of this report, there has been no final determination.
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 the 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 14 items, including an executive order, proposed and final legislation and regulations, and several NCUA issuances. The OIG submitted comments on two agency Instructions.
<table>
<thead>
<tr>
<th>Legislation/ E.O.</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>E.O. 13392</td>
<td>“Improving Agency Disclosure of Information”</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Regulations/Rulings</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 CFR part 745</td>
<td>Interim Final Rule: “Share Insurance and Comments”</td>
</tr>
<tr>
<td>12 CFR Part 717, under FACT Act section 312</td>
<td>Interagency Notice of Proposed Rulemaking: “Procedures to Enhance the Accuracy and Integrity of Information Furnished to Consumer Reporting Agencies Under Section 312 of the Fair and Accurate Credit Transactions Act”</td>
</tr>
<tr>
<td>12 CFR Parts 704, 715, and 741</td>
<td>ANPR: “Supervisory Committee Audits”</td>
</tr>
<tr>
<td>12 CFR Part 742</td>
<td>Final Rule: “Regulatory Flexibility Program”</td>
</tr>
<tr>
<td>12 CFR Parts 701 and 741</td>
<td>NPR: “Third-Party Servicing of Indirect Vehicle Loans”</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Agency Issuances</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>NCUA Instruction 1235.1 (Revised)</td>
<td>Affirmative Responsibility to Prevent Discrimination, Reprisal, and Offensive Language and Conduct in the Workplace</td>
</tr>
<tr>
<td>Proposed Instruction</td>
<td>Credit Worthiness Evaluations and Training Requirements for Government Issued Credit Cards</td>
</tr>
<tr>
<td>NCUA Letter to Credit Union 06-CU-05</td>
<td>Share Insurance Coverage (Deposit Insurance Reform)</td>
</tr>
<tr>
<td>NCUA Letter to CU 06-CU-06</td>
<td>Influenza Pandemic Preparedness</td>
</tr>
</tbody>
</table>
### TABLE I

**INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED COSTS**

<table>
<thead>
<tr>
<th></th>
<th>Number of Reports</th>
<th>Questioned Costs</th>
<th>Unsupported Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A.</strong>  For which no management decision had been made by the start of the reporting period.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>B.</strong>  Which were issued during the reporting period.</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Subtotals (A + B)</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>C.</strong>  For which management decision was made during the reporting period.</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>(i) Dollar value of disallowed costs</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>(ii) Dollar value of costs not disallowed</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>D.</strong>  For which no management decision has been made by the end of the reporting period.</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>E.</strong>  Reports for which no management decision was made within six months of issuance.</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**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**

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Reports</th>
<th>Dollar Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A.</strong> For which no management decision had been made by the start of the reporting period.</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>B.</strong> Which were issued during the reporting period.</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Subtotals (A + B)</strong></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>C.</strong> For which management decision was made during the reporting period.</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>(i) Dollar value of recommendations agreed to by management.</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>(ii) Dollar value of recommendations not agreed to by management.</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>D.</strong> For which no management decision was made by the end of the reporting period.</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>E.</strong> For which no management decision was made within six months of issuance.</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

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.
### SUMMARY OF OIG ACTIVITY
OCTOBER 1, 2005 THROUGH MARCH 31, 2006

#### PART I - AUDIT REPORTS ISSUED

<table>
<thead>
<tr>
<th>Report Number</th>
<th>Title</th>
<th>Date Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>OIG-05-11</td>
<td>Audit Memorandum: Employee Tax Withholdings</td>
<td>11/22/2005</td>
</tr>
<tr>
<td>OIG-06-01</td>
<td>NCUA Financial Statement Audit: The NCUA Operating Fund</td>
<td>03/24/2006</td>
</tr>
<tr>
<td>OIG-06-02</td>
<td>NCUA Financial Statement Audit: The National Credit Union Share Insurance Fund</td>
<td>03/24/2006</td>
</tr>
<tr>
<td>OIG-06-03</td>
<td>NCUA Financial Statement Audit: The Central Liquidity Facility</td>
<td>03/24/2006</td>
</tr>
</tbody>
</table>

#### PART II - AUDITS IN PROGRESS (as of March 31, 2006)

- Risk Focused Exams
- Indirect Lending
## INDEX OF REPORTING REQUIREMENTS

<table>
<thead>
<tr>
<th>SECTION</th>
<th>DATA REQUIRED</th>
<th>PAGE REF</th>
</tr>
</thead>
<tbody>
<tr>
<td>4(a)(2)</td>
<td>Review of Legislation and Regulations</td>
<td>23</td>
</tr>
<tr>
<td>5(a)(1)</td>
<td>Significant Problems, Abuses, or Deficiencies Relating to the administration of programs and operations disclosed during the reporting period.</td>
<td>14</td>
</tr>
<tr>
<td>5(a)(3)</td>
<td>Recommendations with Respect to Significant Problems, Abuses, or Deficiencies.</td>
<td>14</td>
</tr>
<tr>
<td>5(a)(3)</td>
<td>Significant Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed.</td>
<td>18</td>
</tr>
<tr>
<td>5(a)(4)</td>
<td>Summary of Matters Referred to Prosecution Authorities and Prosecutions, Which Have Resulted.</td>
<td>None</td>
</tr>
<tr>
<td>5(a)(5)</td>
<td>Summary of Each Report to the Board Detailing Cases Where Access to All Records Was Not Provided or Where Information Was Refused.</td>
<td>None</td>
</tr>
<tr>
<td>5(a)(6)</td>
<td>List of Audit Reports Issued During the Reporting Period.</td>
<td>27</td>
</tr>
<tr>
<td>5(a)(7)</td>
<td>Summary of Particularly Significant Reports.</td>
<td>14</td>
</tr>
<tr>
<td>5(a)(8)</td>
<td>Statistical Tables on Audit Reports With Questioned Costs.</td>
<td>25</td>
</tr>
<tr>
<td>5(a)(9)</td>
<td>Statistical Tables on Audit Reports With Recommendations That Funds Be Put To Better Use.</td>
<td>26</td>
</tr>
<tr>
<td>5(a)(10)</td>
<td>Summary of Each Audit Report Issued Before the Start Of the Reporting Period for Which No Management Decision Has Been Made by the End of the Reporting Period.</td>
<td>None</td>
</tr>
<tr>
<td>5(a)(11)</td>
<td>Description and Explanation of Reasons for any Significant Revised Management Decision Made During the Reporting Period.</td>
<td>None</td>
</tr>
<tr>
<td>5(a)(12)</td>
<td>Information Concerning Significant Management Decisions With Which the Inspector General is in Disagreement.</td>
<td>None</td>
</tr>
</tbody>
</table>
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Alexandria, VA 22313-5705

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