

**NATIONAL CREDIT UNION ADMINISTRATION  
OFFICE OF INSPECTOR GENERAL**

**SEMIANNUAL REPORT  
TO  
THE CONGRESS**

**October 1, 2008 – March 31, 2009**



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## INSPECTOR GENERAL'S MESSAGE TO THE NCUA BOARD AND THE CONGRESS

The year 2009 marks the 75<sup>th</sup> Anniversary of the Federal Credit Union Act (FCUA), originally signed in 1934. For three quarters of a century, the National Credit Union Administration (NCUA) has protected insured credit union members and brought stability to the credit union system. While the events of the past six months have been unprecedented, NCUA has persevered in its mission and ensured the continued strength of credit unions.

While the vast majority of NCUA regulated and insured credit unions remain safe and sound, NCUA has not been immune from the economic turmoil. On March 20, 2009, the NCUA Board placed two corporate credit unions, U.S. Central Federal Credit Union and Western Corporate Federal Credit Union, into conservatorship to stabilize the corporate credit union system and resolve balance sheet issues. These actions were the latest in ongoing NCUA efforts since the start of the year to assist the corporate credit union network under the Corporate Stabilization Plan. Moreover, in the last reporting period, NCUA has seen the failure of three (3) natural person credit unions.

In the face of these events, the NCUA Office of Inspector General (OIG) has had a more critical role than ever in its oversight and accountability functions. The FCUA, 12 U.S.C. 1790d(j), requires that the IG conduct a review when the National Credit Union Share Insurance Fund (NCUSIF) has incurred a material loss with respect to a credit union. A material loss is defined as (1) exceeding the sum of \$10 million; and (2) an amount equal to 10% of the total assets of the credit union at the time at which the Board initiated assistance or was appointed liquidating agent. Once the NCUA calculates the estimated loss associated with an NCUA-insured institution, the OIG begins its review. The material loss review (MLR) provides an independent analysis of why the institution failed and resulted in a material loss, evaluates the NCUA's supervision of the credit union, and may provide additional information valuable for civil and/or criminal investigations into the failure. As we reported in our last Semiannual Report, conducting MLR's currently consumes by far the majority of the OIG's audit

resources. We have recently added an additional auditor to the OIG staff to assist us in handling the increasing MLR workload.

In the past reporting period, this office issued one final MLR and at the time of the drafting of this report, a second was scheduled for issuance. We are also in the midst of conducting two (2) as yet unreported MLRs, and are in the planning stages for two (2) additional ones. We continue to consult and coordinate with the other financial regulatory OIGs who are similarly engrossed in conducting MLRs, to ensure as standard an approach as possible and to share best practices. We remain committed to maintaining the NCUA OIG's high standards of excellence in conducting these reviews, even as the demands on our small audit staff continue to escalate.

Finally, on October 14, 2008, the IG Reform Act was signed by President Bush. Among other provisions, this legislation strengthens the IG's independence, elevates the stature of the IG so that the position is commensurate with the other agency senior level executives, creates a forum for IGs to coordinate and share best practices, and requires that IG reports are easily accessible to the public in a timely manner. We look forward to working with our colleagues in the IG community as we all strive to ensure the longstanding tradition of integrity and transparency in federal programs and operations.

We also recommit to the IG mission and working with the Congress, the NCUA, and other stakeholders so that we can continue our oversight work for the public interest.

A handwritten signature in black ink, reading "William A. DeSarno". The signature is written in a cursive, slightly slanted style.

William A. DeSarno  
Inspector General

## THE NCUA MISSION

NCUA's charge is to foster the safety and soundness of federally insured credit unions and to better enable the credit union community to extend the availability of 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 NCUA's mission is accomplished by managing the National Credit Union Share Insurance Fund in an efficient and prudent manner through an effective supervision program and a regulatory environment that encourages innovation, flexibility and continued focus on attracting new members and improving financial service to existing members.



## THE OFFICE OF INSPECTOR GENERAL MISSION

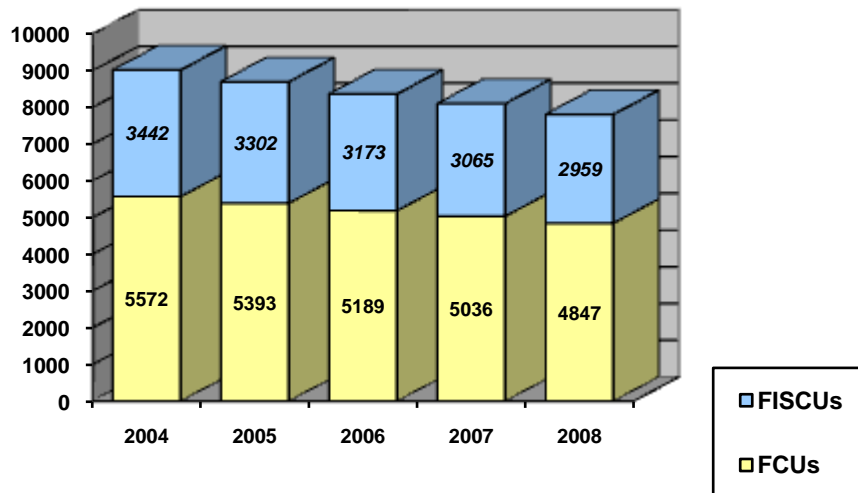
The OIG promotes the economy, efficiency, and effectiveness of NCUA programs and operations, and detects and deters fraud, waste, and abuse, thereby supporting the NCUA's mission of monitoring and promoting safe and sound federally insured credit unions.

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, 2008, the NCUA was supervising and insuring 4,847 federal credit unions and insuring 2,959 state-chartered credit unions, a total of 7,806 institutions. This represents a decline of 189 federal and 106 state-chartered institutions since December 31, 2007, for a total decline of 295 credit unions nationwide, primarily as a result of mergers.

**Federally Insured Credit Unions**

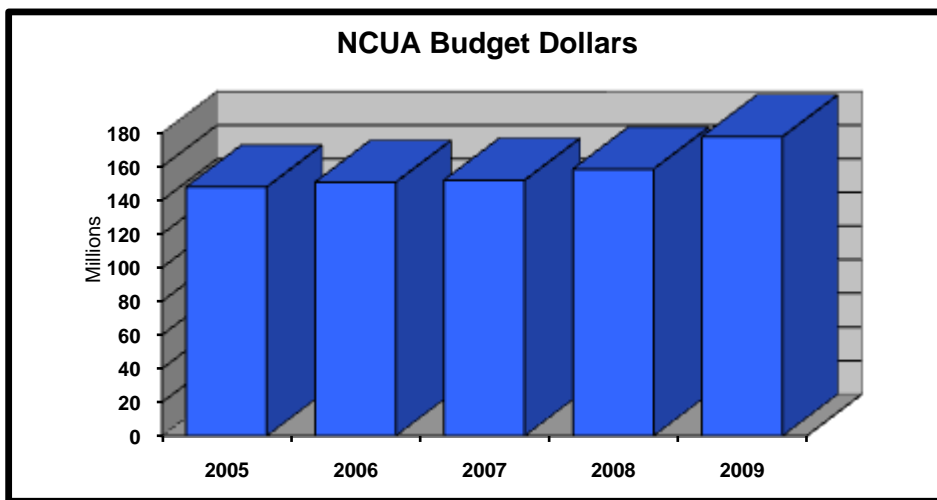
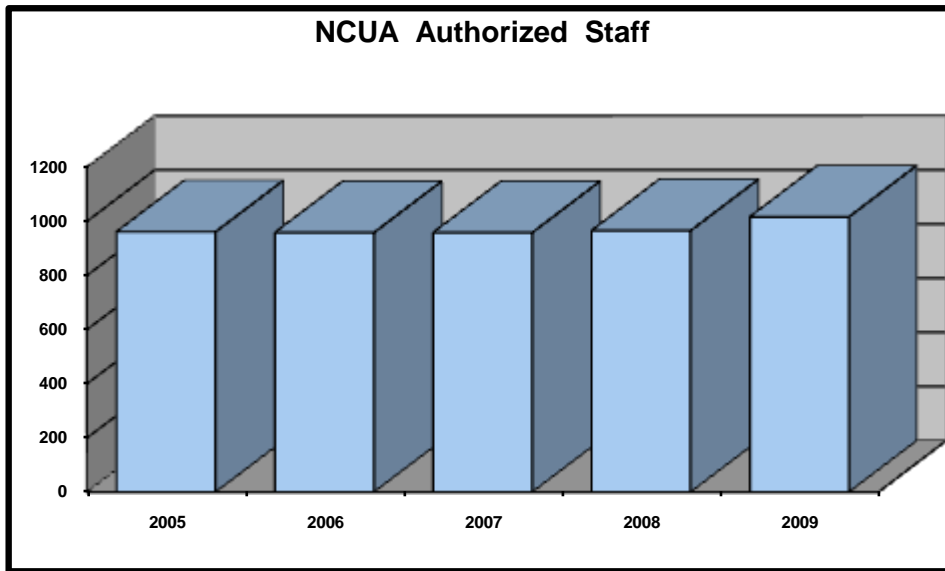


The NCUA operates under the direction of a Board composed of three members. Board members are appointed by the President and confirmed by the Senate. They serve six-year terms. Terms are staggered, so that one term expires every two years. The Board is responsible for the management of the National Credit Union Administration, 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 below.



The NCUA Board adopted its 2009 budget of \$177,863,682 on November 20, 2008. The Full-Time Equivalent (FTE) staffing authorization for 2009 is 1,016, representing an increase of 51 FTEs from 2008.





## NCUA HIGHLIGHTS

### NCUA Conserves U.S. Central and Western Corporate Credit Unions

On March 20, 2009, the National Credit Union Administration (NCUA) Board placed U.S. Central Federal Credit Union (U.S. Central), Lenexa, Kansas, and Western Corporate (WesCorp) Federal Credit Union, San Dimas, California, into conservatorship to stabilize the corporate credit union system and resolve balance sheet issues. These actions furthered previous NCUA efforts to assist the corporate credit union network under the Corporate Stabilization Plan. Corporate credit unions provide investment and liquidity services to consumer-owned natural person credit unions.

U.S. Central and WesCorp were placed into conservatorship to protect retail credit union deposits and the interest of the National Credit Union Share Insurance Fund (NCUSIF) as well as to remove any impediments to the Agency's ability to take appropriate mitigating actions that might be necessary. Service continued uninterrupted at both credit unions, and members were advised that they were free to make deposits and access funds.

The Federal Credit Union Act (FCUA) authorizes the NCUA Board to appoint itself conservator when necessary to conserve the assets of a federally-insured credit union, preserve member assets, and protect the NCUSIF.

At the time of the conservatorship, U.S. Central had approximately \$34 billion in assets and 26 retail corporate credit union members. WesCorp had \$23 billion in assets and approximately 1,100 retail credit union members. The member accounts of both credit unions were guaranteed under provisions of the previously announced NCUA Share Guarantee Program, through December 31, 2010. The Program extends NCUSIF coverage to all funds held by the two corporate credit unions.

Following initial actions taken by the NCUA Board on January 28, 2009, NCUA staff completed a detailed analysis and stress test of the mortgage and asset backed securities held by all corporate credit unions, including US Central and WesCorp. The review determined that an unacceptably high concentration of risk resided only in the two conserved corporate credit unions. Securities held by US Central and WesCorp deteriorated further since late January 2009, contributing to diminished liquidity and payment system capacities, as well as further loss of confidence by member credit unions and other stakeholders.

Additional mortgage and asset backed security analysis and assessment of the two credit unions by NCUA staff enabled NCUA to refine the NCUSIF's required reserve for potential loss. The findings indicated an overall estimated reserve level, previously announced by NCUA, had increased from \$4.7 to \$5.9 billion.

### NCUA Chairman Michael Fryzel Asks Senate to Preserve Independence of NCUA and NCUSIF

On March 19, 2008, Chairman Fryzel testified before the Senate Committee on Banking, Housing and Urban Affairs on “Modernizing Bank Supervision and Regulation.” In his testimony, Chairman Fryzel underscored the public policy benefits of a distinct, federal credit union regulatory and insurance entity, while calling for an improved federal regulatory standard setting authority. In his accompanying statement to the Committee, Chairman Fryzel discussed the overall strength of the credit union industry and the statutory and regulatory differences that have provided consumers with a viable cooperative alternative in the financial services marketplace. Chairman Fryzel also underscored the solid performance of the NCUSIF, noting that “even in the face of significant stress in the corporate credit union part of the system, the Fund has proven durable.”

Chairman Fryzel described the prudential benefits of an integrated credit union regulatory/insurance function at the federal level. Chairman Fryzel further recommended a federal oversight entity, charged with establishing general safety and soundness standards, issuing principles-based guidance and monitoring systemic risk.

### NCUA Executive Director Marquis Testifies on Insurance Fund Issues

On March 19, 2009, NCUA Executive Director David Marquis testified before the Senate Banking, Housing, and Urban Affairs Committee on deposit insurance issues – making the \$250,000 insurance protection permanent; extending the National Credit Union Share Insurance Fund (NCUSIF) replenishment to 5 years; increasing the NCUSIF borrowing authority; and providing systemic risk authority to NCUA.

Marquis stated NCUA’s agreement with Section 204(a) of H.R. 1106, the “Helping Families Save Their Homes Act of 2009,” to make the temporary increase to \$250,000 of the standard maximum share insurance amount (SMSIA) permanent. Marquis testified that reverting the general limit for share insurance coverage to \$100,000 at the end of 2009 would likely be a destabilizing event, affecting public confidence and creating burdens for institutions and consumers.

With regard to the NCUSIF replenishment, Marquis explained to the Committee that, if the NCUSIF equity ratio falls below 1.20 percent, NCUA is required to assess a premium and, if necessary, credit unions must recapitalize their 1 percent deposit. Marquis requested that Congress approve an extension of the time the agency has to restore the equity ratio from one to five years. Marquis also stated NCUA’s request to increase the maximum cap when premiums may be charged from 1.30 percent to 1.35 percent to provide another anti-cyclical tool and thereby reduce the likelihood of charging premiums in adverse times

On behalf of NCUA, Marquis also requested that Congress increase the maximum amount the NCUSIF may borrow from Treasury to \$6 billion. Marquis explained that Congress established the NCUSIF in 1970, and provided authority for the Fund to borrow a maximum \$100,000,000 from the Treasury. Over time, Marquis reported, the size of the credit union system, the amount of insured shares, and the size of the NCUSIF have grown significantly. Marquis stated that the \$6 billion figure was a more realistic number based on the size of the industry today versus the early 1970's.

Finally, Marquis requested that Congress amend the Federal Credit Union Act to provide NCUA with a systemic risk authority similar to that of FDIC.

#### NCUA Appoints Melinda Love New Director of the Office of Examination and Insurance

On February 10, 2009, the NCUA Board appointed Region V Director Melinda Love as Director of the Office of Examination and Insurance (E&I) at NCUA Headquarters in Alexandria, Virginia effective March 16, 2009. As E&I Director, Love will be responsible for overseeing the NCUA supervision and examination, risk management, and data collection programs. A seasoned NCUA executive, Love has served as Regional Director of the Region V office for 5½ years, as well as Director of the former Chicago regional office. Love is a past NCUA Deputy Executive Director, and also served as Deputy Director within E&I. Her NCUA career began in 1986 as an examiner in Northern California. She is a former principal examiner, problem case officer, supervision analyst, supervisory examiner and acting director of special actions.

#### NCUA Board Approves Corporate Stabilization Efforts

On January 28, 2009, the NCUA Board approved a series of actions designed to enhance and support the corporate credit union system, which was facing unprecedented strains on liquidity and capital due to extraordinary market disruptions and the current economic climate.

NCUA acted to add stability to and strengthen corporate credit unions using a three-pronged approach designed to: (1) maintain liquidity; (2) strengthen capital; and (3) restructure the corporate system. Consequently, the NCUA Board approved the following actions:

- Guaranteed uninsured shares at all corporate credit unions through February 2009, and established a voluntary guarantee program for uninsured shares of all corporate credit unions through December 31, 2010;
- Issued a \$1 billion capital note to U.S. Central Federal Credit Union (U.S. Central);
- Issued an Advance Notice of Public Rulemaking (ANPR) on restructuring the corporate credit union system; and

- Declared a premium assessment to restore the NCUSIF equity ratio to 1.30 percent—to be collected in 2009.

Previous NCUA actions to address the situation included approval of U.S. Central's conversion of membership capital to paid-in capital, implementing a temporary corporate credit union liquidity guarantee program on new unsecured debt obligations, obtaining a temporary lifting of the appropriations cap on the Central Liquidity Facility (CLF), negotiating assistance from both the Federal Reserve and Treasury, and sending letters of support to the Federal Home Loan Banks. Using CLF lending authority in concert with the Treasury, NCUA also initiated the Credit Union System Investment Program (CU SIP) and Credit Union Homeowners Affordability Relief Program (CU HARP). These programs were designed to provide additional liquidity resources to corporate credit unions.

### Chairman Fryzel Urges Treasury Secretary Geithner to Reconsider TARP Aid for Credit Unions

In a letter to newly sworn-in Secretary of the Treasury Timothy F. Geithner, dated January 27, 2009, Chairman Fryzel congratulated Secretary Geithner and called upon him to expand options for credit union participation in the Troubled Assets Relief Program (TARP). Specifically, Chairman Fryzel requested that Secretary Geithner (1) reauthorize the opportunity for TARP participation on the part of credit unions; and (2) assist the NCUA in establishing a program parallel to the one allowing the Federal Deposit Insurance Corporation (FDIC) to temporarily guarantee deposits in non-interest bearing transaction accounts at FDIC-insured institutions without limit. Chairman Fryzel explained that the equivalent accounts at credit unions are known as business share draft accounts.

Chairman Fryzel stated his belief that the policies of the NCUSIF should be generally consistent with those of the FDIC and, as such, there should be full share insurance coverage for non-interest bearing business share draft accounts through 2009. Chairman Fryzel requested that the Treasury Department work with NCUA to establish a parallel guarantee in order to avoid any unintended impact on the credit union system.

### NCUA Launches CU SIP, CU HARP Initiatives

On December 9, 2008, after receiving concurrences from the Federal Reserve Board and the Secretary of the Treasury, the NCUA Board announced two new initiatives for CLF extensions of credit to credit unions for system liquidity needs. The two initiatives were the Credit Union System Investment Program (CU SIP) and the Credit Union Homeowners Affordability Relief Program (CU HARP).

Under the CU SIP, participating credit unions were authorized to borrow from the CLF and invest the proceeds in participating corporate credit unions. Specifically, the CLF

would provide a secured, one-year advance to the credit union, which it must, in turn, concurrently invest in a fixed-rate, matched term, guaranteed CU SIP Note issued by a participating corporate credit union. By March 2009, over \$7.7 billion was issued to corporate credit unions in the first two subscriptions.

The CU HARP is a two-year, \$2 billion program intended to assist homeowners who are facing delinquency, default, or foreclosure on their mortgages, especially in the face of diminished home prices. Under the CU HARP, participating creditworthy credit unions were authorized to borrow from the CLF, and receive as much as an additional 100-basis point spread over the cost of borrowing if they modified at-risk mortgages, primarily by lowering interest rates and corresponding monthly payments. Under the CU HARP, the CLF would make a secured, one year advance to the credit union, which would be renewable for a term of one year. The credit union must, in turn, concurrently invest the proceeds in a two-year, guaranteed CU HARP Note issued by a participating corporate credit union.

#### [NCUA Board Names David M. Marquis Executive Director](#)

On December 2, 2008, the NCUA Board named David M. Marquis to assume the role of NCUA Executive Director (ED) upon the retirement of ED J. Leonard Skiles, who retired at year end. Marquis had served as the Director, E&I, since 1994. As E&I Director, Marquis was responsible for the sound operation of the NCUSIF, and oversaw the examination and supervision program for federal and federally insured credit unions.

Marquis began his career with NCUA as an examiner in Baltimore in 1978. During his tenure, Marquis served as a supervisory examiner, Associate Regional Director and Regional Director, as well as Deputy Director of E&I.

Marquis replaced Skiles, who left the agency at year end after a 38-year NCUA career that began as a staff attorney in the Office of General Counsel in 1973. During his tenure, Skiles served as the agency's Deputy General Counsel and was Director of the Austin regional office several times. He also formed and was President of the Asset Management and Assistance Center in Austin. Skiles was appointed NCUA ED in February 2001.

#### [NCUA Approves Corporate Credit Union Loan Guarantee Program](#)

On October 16, 2008, the NCUA Board approved a temporary corporate credit union liquidity guarantee program intended to operate from October 16, 2008, through June 30, 2009. Effective October 16, the NCUSIF began providing federally insured corporate credit unions with a 100 percent guarantee on new unsecured debt obligations, subject to terms detailed in the program.

The NCUSIF guarantee applied to new unsecured debt obligations issued by eligible corporate credit unions on or before June 30, 2009, and maturing on or before June 30, 2012. This included promissory notes, commercial paper, inter-banking funding, and any unsecured portion of secured debt.

According to the program, the amount of obligations covered by the guarantee per eligible corporate credit union could not exceed the greater of:

- (a) 100 percent of the eligible corporate credit union's maximum unsecured debt obligations outstanding during the period September 30, 2007, through September 30, 2008;
- (b) an amount determined by written approval of the director, Office of Corporate Credit Unions (OCCU), with the prior concurrence of the Director, E&I, not to exceed \$100 million; or
- (c) an amount determined by the NCUA Board.

The program also provided that all corporate credit unions were automatically covered for debt obligations issued through November 17, 2008, and allowed corporate credit unions to elect to opt out of the program by providing notice to OCCU.

For those credit unions participating in the program, the NCUSIF would charge a fee of 75 basis points per year on the outstanding balance of guaranteed debt obligations. The program is similar to the "Temporary Liquidity Guarantee Program", announced by the FDIC on October 14, 2008, and was intended to provide corporate credit unions with competitive standing in the debt market.

#### NCUA Votes to Increase Share Insurance Maximum Coverage to \$250,000

By notation vote on October 15, 2008, the NCUA Board amended the share insurance rule to reflect the increase in standard maximum coverage from \$100,000 to \$250,000, in compliance with the "Emergency Economic Stabilization Act of 2008." One of the key provisions of the economic stabilization legislation was a temporary increase in insurance limits for accounts backed by the NCUSIF, increasing share insurance coverage from \$100,000 to \$250,000. The increase was effective on the date of enactment, October 1, 2008, through December 31, 2009. The boost in insurance coverage is the same as that provided for the FDIC, which insures bank deposits. NCUA's rule was also amended to improve member insurance protection on "custodial loan accounts," renamed "mortgage serving accounts," identical to a recent FDIC rule amendment.

## 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, 2008, quarterly call reports submitted by all federally insured credit unions found that key financial indicators were mixed.

### Key Financial Indicators Showing Concern

Looking at the December 31, 2008 quarterly statistics for major balance sheet items and key ratios shows the following for the nation's 7,806 federally insured credit unions: assets grew 7.74 percent; net worth to assets ratio decreased from 11.43 to 10.93 percent; the loan to share ratio decreased from 83.32 percent to 83.10 percent; the delinquency ratio increased from .93 to 1.37 percent; and credit union return on average assets decreased from .64 percent to .31 percent.

### Savings Shifting to Money Market Accounts

Total insured share accounts increased 8.72 percent. Money market shares increased 15.60%. Regular shares comprise 26.23 percent of total share accounts; share certificates comprise 33.21 percent; money market shares comprise 18.87 percent; and share draft accounts comprise 10.81 percent; and all other share accounts comprise 10.88 percent.

### Loans Increased

Loan growth of 7.08 percent resulted in an increase in total loans by \$37.43 billion. Total net loans of \$566 billion comprise 69 percent of credit union assets. First mortgage real estate loans increased 14.49 percent. First mortgage real estate loans are the largest single asset category with \$207.92 billion accounting for 36.74 percent of all loans. Other real estate loans of \$96.56 billion account for 17.06% of all loans. Used car loans of \$94.29 billion were 16.66% of all loans, while new car loans amounted to \$81.54 billion or 14.41% of total loans. Credit card loans totaled \$32.72 billion or 5.78% of total loans and other loans totaled \$52.97 billion for 9.35% of total loans.

## LEGISLATIVE HIGHLIGHTS

### NCUA Associate General Counsel Albin Testifies on Credit Card and Overdraft Protection Legislation

NCUA Associate General Counsel Sheila Albin testified on March 19, 2009, before the House Financial Services Subcommittee on Financial Institutions and Consumer Credit addressing legislation designed to aid consumers: H.R. 627, the “Credit Cardholders’ Bill of Rights Act of 2009,” and H.R. 1456, the “Consumer Overdraft Protection Fair Practices Act of 2009.”

Crafted to level the playing field and stop or restrict unfair, deceptive and anti-competitive consumer credit card practices (UDAP), the credit card bill would act to protect cardholders against arbitrary interest rate hikes, being unfairly penalized when an account is current, due-date gimmicks, misleading terms, and excessive fees. The bill would also prevent card issuers from providing subprime cards to those who cannot afford them. The overdraft protection bill would extend protections of the Truth In Lending Act to overdraft protection programs and services provided by financial institutions. NCUA’s general lending regulations require credit union boards to establish a policy and fees for overdraft protection programs and NCUA examiners consider the reasonableness of fee income when reviewing credit union programs.

Albin testified that “[t]he NCUA believes the UDAP rule addresses most of the practices and problems to which H.R. 627 is directed.” She indicated that to the extent areas of concern remain, “[t]he NCUA is prepared to work with its sister agencies to address those problems.”

### President Obama Signs Law to Extend CLF Borrowing Cap Increase

On March 11, 2009, President Obama signed an omnibus appropriations measure, H.R. 1105, into law, which keeps the increased NCUA Central Liquidity Loan Facility (CLF) loan cap at its increased statutory level through September 30, 2009. Previously, on September 20, 2008, President Bush signed into law a government funding resolution that contained a borrowing cap increase for legislation to fund operations of the federal government through March 6, 2009. The law included a provision that temporarily lifted an arbitrary \$1.5 billion lending cap placed on the CLF, allowing it to lend up to approximately \$41.5 billion to the credit union system. House Financial Services Committee Chairman Barney Frank (D-MA) has asked Federal Reserve Chairman Ben Bernanke to support permanently lifting the CLF cap.



### House Committee Approves NCUA Request to Extend NCUSIF Restoration

On February 5, 2009, the House Committee on Financial Services approved H.R. 786, the Committee's TARP reform legislation, adding two provisions NCUA Chairman Fryzel had recommended as imperative to the credit union system—increasing NCUA Treasury borrowing authority and providing for a 5-year restoration period to replenish the NCUSIF. The House Committee included both provisions in the adopted legislation. The amendment on extension of the premium was proposed by Pennsylvania Congressman Paul Kanjorski, while the amendment on the borrowing authority increase was proposed by Illinois Congressman Luis Gutierrez. The Committee has recommended that the bill be considered by the House as a whole.

The amended version of H.R. 786, as reported to the House on February 23, 2009, would amend the FCUA to: (1) increase to \$6 billion the borrowing authority of the NCUA; and (2) require the NCUA Board to establish a Share Insurance Fund (SIF) restoration plan whenever the Board projects that the SIF equity ratio actually does fall below the required minimum amount. The proposed bill sets forth restoration plan requirements.

Chairman Fryzel had also requested expanded authority to use the NCUSIF to address systemic risk under extreme circumstances when the Federal Credit Union Act, Section 208, authority proves inadequate. The Committee did not address this request.

### House Committee Introduces Bill to Make Financial Regulatory IGs Presidential Appointments

On February 4, 2009, the House Committee on Government Reform introduced H.R. 885, the "Improved Financial and Commodity Markets Oversight and Accountability Act." The bill, sponsored by Congressman John Larson (D-CT), would make the NCUA IG, along with the IGs at the Federal Reserve Board, the Commodity and Futures Trading Commission, the Securities and Exchange Commission, and the Pension Benefit Guaranty Corporation, establishment IGs appointed by the President and confirmed by the Senate. Currently, the IGs at these agencies are appointed by their respective agency heads.

The NCUA IG William A. DeSarno testified before the Subcommittee on Government Management, Organization, and Procurement, Committee on Oversight and Government Reform, on March 25, 2009, on H.R. 885 as well as on his role and responsibilities as an IG at an agency charged with regulating and insuring credit unions. In particular, Mr. DeSarno spoke of the increasing strategic challenges facing the NCUA Office of Inspector General as a result of the current economic crisis.

Mr. DeSarno also discussed his opposition to H.R. 885, stating that he did not believe the bill would enhance IG independence but could, rather, have a deleterious impact on his office's ability to handle its significantly increased workload, due to the material loss review work mandated in the wake of recent and ongoing credit union failures.

### NCUA Finalizes Unfair and Deceptive Consumer Credit Rule

On December 18, 2008, the NCUA Board joined the FRB and the Office of Thrift Supervision (the Agencies) in approving a final rule, Part 706, governing unfair or deceptive acts or practices related to credit cards. The Agencies exercised their authority under section 5(a) of the Federal Trade Commission Act (FTC Act) to enact their respective agency rules. NCUA's ruling, which applies only to credit unions, recognized that in some cases disclosures do not provide adequate protection for consumers. The rule restricts or prohibits certain practices that are considered unfair based on the test set forth in the FTC Act, including (1) it causes or is likely to cause substantial injury to consumers; (2) the injury is not reasonably avoidable by consumers themselves; and (3) the injury is not outweighed by countervailing benefits to consumers or to competition. The final rule is effective July 1, 2010.

### NCUA Finalizes Rules on Prompt Corrective Action and Definition of Post-Merger Net Worth

On November 10, 2008, NCUA adopted a final rule implementing a statutory amendment that expanded the definition of "net worth" that applies to natural person credit unions under regulatory capital standards known as "prompt corrective action." The expanded definition allows an acquiring credit union, in a merger of natural person credit unions, to retain the merging credit union's retained earnings with its own to determine the acquirer's post-merger net worth. For a merger in which the acquirer is a corporate credit union, the proposed rule similarly redefines corporate credit union capital to allow the acquirer to combine with its capital the retained earnings of the merging credit union to determine the acquirer's post-merger net worth. The rule applies to credit mergers that took place after December 31, 2008, that are subject to financial reporting under Financial Accounting Statement No. 141(R), Business Combinations (2007).

### President Bush Signs into Law "Inspector General Reform Act of 2008"

On October 14, 2008, President Bush signed into law the "Inspector General Reform Act of 2008," P.L. 110-409. The law was designed to guarantee that a forum exists for Inspectors General (IGs) to coordinate and share best practices; that IGs remain independent from inappropriate influence or pressure from the

government agencies they oversee; and that IG reports are easily accessible to the public.

The legislation was introduced last year in the Senate by Senators Claire McCaskill (D-Missouri), Susan Collins (R-Maine), and Joe Lieberman (I-Connecticut). Congressman Jim Cooper (D-Tennessee) introduced similar legislation in the House of Representatives. After the Senate and the House passed their respective versions of the bill earlier this year, legislators from both chambers worked together to negotiate a compromise and agree on identical language for the bill that was, ultimately, sent to the President for signature.

#### President Bush Signs into Law “Emergency Economic Stabilization Act of 2008”

On October 3, 2008, President George W. Bush signed into law the “Emergency Economic Stabilization Act of 2008,” which temporarily increased federal deposit insurance coverage. The new law amended the share insurance coverage provided by NCUA through the NCUSIF and the deposit insurance provided by the FDIC. The NCUA Board also took action on October 3 to eliminate the concept of “qualified beneficiary” in determining share insurance coverage. The newly enacted rule served to maintain parity between insurance coverage offered by NCUA and the FDIC. During the reporting period, NCUA worked to update all related publications to reflect these changes.

#### Statutory Share Insurance Change: \$250,000

The new law became effective on October 3, 2008, and will remain in place through December 31, 2009. The law provided for an increase in the minimum NCUSIF coverage from \$100,000 to \$250,000 on member share accounts. This includes all account types, such as regular share, share draft, money market, and certificates of deposit. Individual Retirement Account and Keogh account coverage remains at up to \$250,000 separate from other types of accounts owned.

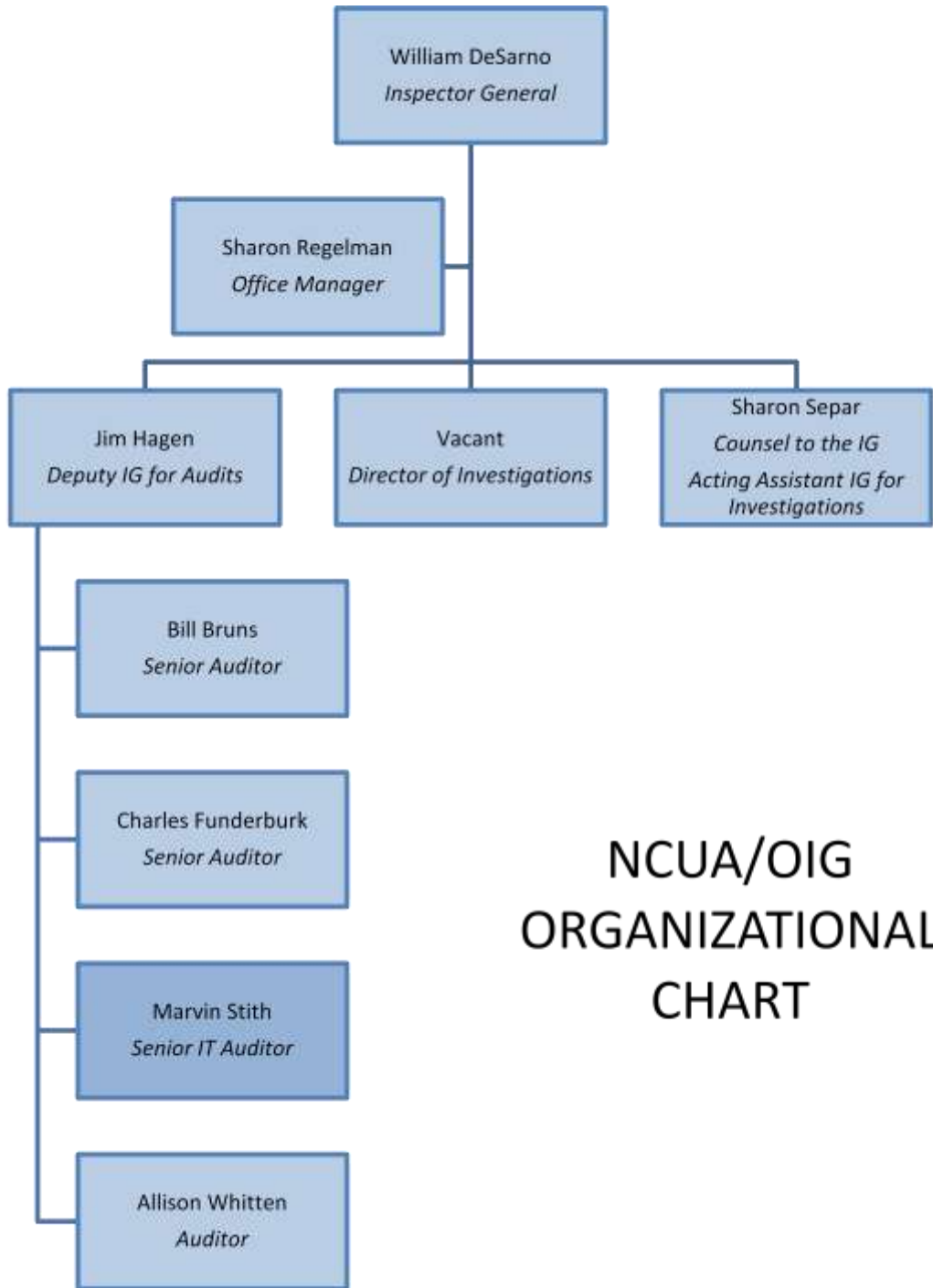
The increase in the minimum share insurance coverage to \$250,000 will not result in an increase to members’ share insurance premium or operating fee. Changes were made to the 5300 report for the December 2008 reporting cycle to address the new coverage level.

## 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, Counsel to the Inspector General, Deputy Inspector General for Audits, Director of Investigations, Auditor, 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.



## NCUA/OIG ORGANIZATIONAL CHART

## AUDIT ACTIVITY

### Audit Reports Issued

*OIG-08-09 –November 7, 2008*

#### Home Mortgage Disclosure Act Data Analysis Review

The Home Mortgage Disclosure Act (HMDA), implemented by the Federal Reserve Board's (FRB) Regulation C (12 CFR 203), requires credit unions and other financial institutions to compile and disclose data about home purchase loans, home improvement loans, and refinancings they originate or purchase, or for which they receive applications. In addition, several loan applicant/ borrower characteristics must also be reported.

One of the purposes of Regulation C is to assist in identifying possible discriminatory lending patterns and enforcing compliance with anti-discriminatory statutes. The NCUA is responsible for enforcing HMDA regulations for all credit unions.

The NCUA OIG initiated an audit survey to determine what NCUA is doing to ensure that HMDA data is used and followed up on to prevent instances of possible discriminatory lending practices. We concluded that NCUA is not utilizing HMDA data to the fullest extent possible in identifying possible discriminatory lending. However, NCUA does determine that all required credit unions file their HMDA information in a timely manner.

NCUA's efforts in determining the accuracy of HMDA filed data are somewhat limited. NCUA district examiners may review HMDA data for accuracy if there is a related risk identified during the exam scoping process. Some of the potential risk indicators could be, late filing of HMDA data in a prior year or a credit union listed on the Federal Reserve's "pricing outlier" report. NCUA fair lending examiners determine the accuracy of HMDA data during their fair lending examination process. However, only five fair lending examinations are performed each year for each of the five NCUA regions.

In addition, NCUA's discriminatory lending analytical efforts are also limited. Annually, the Federal Reserve Board sends a "pricing outlier" report to NCUA, which in turn forwards it to the appropriate NCUA regional office. This report isolates credit unions which potentially discriminate in their mortgage pricing. According to NCUA's Office of Examination and Insurance (E&I), there are approximately one or two credit unions on the list each year.

NCUA performs limited analysis of loan application register HMDA data for other potential discriminatory lending patterns. According to E&I, that office is in the process of developing such analysis. This analysis is expected to be operational in 2009.

The OIG made one recommendation addressing the above concerns. Management agreed with the recommendation and has plans or is in the process of taking corrective action to address the recommendation.

*OIG-08-10 – November 26, 2008*

*Material Loss Review of Huron River Area Credit Union*

The National Credit Union Administration (NCUA) Office of Inspector General (OIG) conducted a Material Loss Review of Huron River Area Credit Union (Huron). We reviewed Huron to: (1) determine the cause(s) of Huron's failure and the resulting loss to the NCUSIF; and (2) assess NCUA's supervision of the credit union. To achieve these objectives, we analyzed NCUA and Michigan State Supervisory Authority (SSA) examination and supervision reports and related correspondence; interviewed management and staff from NCUA Region I and the Michigan SSA; and reviewed NCUA and SSA guides, policies and procedures, NCUA Call Reports, and NCUA Financial Performance Reports (FPRs).

We determined that credit risk and strategic risk were major factors in Huron's failure. Huron management did not adequately manage and monitor the credit risk within its loan program. In addition, Huron management made strategic decisions that put Huron's continued financial viability at significant risk. Specifically, Michigan SSA and NCUA examiners determined, and the OIG agrees, that Huron management:

- Did not exercise due diligence by evaluating the third party relationship held with its lender, the Construction Loan Company (CLC);
- Allowed CLC to concentrate a majority of the credit union's loan portfolio in a speculative Florida real estate construction project;
- Allowed CLC to make construction loans to applicants outside the credit union's approved field of membership;
- Misclassified construction loans and violated NCUA's Member Business Loan (MBL) limits;
- Did not have adequate liquidity controls in its ALM Policy; and
- Failed to develop or follow adequate plans to guide the direction of the credit union and the Florida construction loan program.

We determined the following management actions also contributed to Huron's failure:

- Huron management was not forthcoming with the Michigan SSA and NCUA examiners about the Florida construction loan program.
- Huron management may have ignored warnings regarding the expected decline of housing values, in particular those in the Florida real estate market.

In addition, we determined NCUA and Michigan SSA examiners may not have adequately monitored or reacted prudently or timely to trends indicating the safe and sound operation of Huron may have been in jeopardy. Consequently, NCUA did not adequately and timely address the credit and strategic risks Huron management caused by entering Huron into an inherently risky and uncontrolled construction lending program, which ultimately led to Huron's worsening liquidity issues. Specifically, we determined:

- Although the Michigan SSA and NCUA examiners expressed concerns regarding Huron's liquidity, we believe they may not have adequately monitored or responded appropriately or timely to their concerns regarding this risk.
- We believe financial ratios and trends revealed Huron's worsening liquidity position well before NCUA and the Michigan SSA officially identified the severity of the issue during the January 2007 joint examination.
- Huron's liquidity position deteriorated rapidly after March 2005.

We made two suggestions and one recommendation to NCUA. We suggested NCUA aggressively investigate and protect against perceived risks Federally Insured State Credit Unions (FISCUs) may pose to the insurance fund. In addition, we suggested (1) Region I officials continue a new procedure they established where analysts provide a secondary review of national risk reports to better monitor FISCUs, and (2) NCUA determine whether all Regional Offices should incorporate these procedures to provide increased supervision of FISCUs. We also recommended NCUA management issue a Supervisory Letter to all Federal and State examiners to alert them of the need to (1) analyze and understand financial ratios and trends individually and as a group and (2) thoroughly analyze pertinent qualitative data in order to adequately assess the safety and soundness of credit union operations.

Management agreed with the first suggestion and the recommendation. Management stated NCUA recently reinforced the need for aggressive investigation and protection against perceived risks in Letter to Credit Unions No.: 08-CU-20 Evaluating Current Risks to Credit Unions. Management stated the letter included supervisory guidance given to NCUA examiners about diligent examination and supervision when potential risk to a credit union is identified. In addition, management agreed in principle with the second suggestion. Management stated if the suggestion is adopted on a national level, the specific procedures should be left to each regional director to determine the proper flow of information through their chain of command.



## AUDITS IN PROGRESS

### NCUA Financial Statements

Our contracting audit firm, Deloitte & Touche LLP, is working to issue its opinion on the 2008 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 NCUA Operating Fund 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 National Credit Union Share Insurance Fund 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. The Central Liquidity Facility 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. And the Community Development Revolving Loan 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. We expect to issue our report by the end of April 2009.

### Material Loss Reviews of Norlarco, Cal State 9 and New London

The FCU Act provides that a review is required when the NCUSIF incurs a material loss. For purposes of determining whether the NCUSIF has incurred a material loss with respect to an insured credit union such that the OIG must make a report, a loss is material if it exceeds the sum of \$10,000,000, and an amount equal to 10 percent of the total assets of the credit union at the time at which the NCUA Board initiated assistance under section 208, or was appointed liquidating agent. In addition, the IG's may perform a material loss review on selected cases that caused a loss of less than \$10,000,000 at the discretion of the Inspector General.

The OIG was notified by NCUA that the losses incurred by Norlarco and Cal State 9 credit unions had exceeded the statutory requirements, triggering a material loss review by the OIG. New London was selected for a material loss review at the discretion of the Inspector General due to the fraud allegations involved in this case. The scope of these audits will include an analysis of the credit union's transactions and activities to determine the causes of failure and a review of the supervision of the credit union. The review will be performed in accordance with Government Auditing Standards for performance audits. Our objectives are to determine (1) the causes of the credit union's failure and resulting material loss to the share insurance fund; and (2) assess the

NCUA's supervision of the institution, including implementation of the Prompt Corrective Action requirements of the FCU Act. We expect to issue our report on Norlarco in April 2009 and on Cal State 9 and New London in the fall of 2009.

#### Significant Audit Recommendations on which Corrective Action Has Not Been Completed

As of March 31, 2009, 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 conducts investigations of criminal, civil, and administrative wrongdoing involving agency programs, operations and personnel. Our investigative program focuses on activities designed to promote accountability, effectiveness, and efficiency, as well as fighting fraud, waste, and abuse in agency programs and operations. 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 wrongdoing or 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 suspected 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 offices for assistance. During this reporting period, we referred 115 consumer complaints to regional offices.

The OIG referred seven allegations of potential fraud at credit unions to the Office of General Counsel.

## INVESTIGATIONS

### False Statements / Breach of Telecommuting Agreement / Violation of Agency Instructions / Violations of Ethics Standards / Violation of Computer Security Rules of Behavior

During this reporting period, the OIG received an allegation that an NCUA employee fabricated official agency documents related to her employment (position) within the agency. The OIG initiated an investigation and concluded that the employee fabricated documents using her agency-issued government computer during work hours in violation of the *Standards of Ethical Conduct for Employees of the Executive Branch* (Ethics Standards) as well as the agency's *Computer Security Rules of Behavior* (CSROB).

The OIG's investigation into the initial allegations in this case gave rise to questions about false statements the employee may have made to her supervisor regarding leave requests and a telecommuting arrangement, which began in July 2008 and ended in January 2009. The OIG subsequently expanded its investigation to encompass these two issues. The investigation concluded that the employee had, in addition to the Ethics Standards and CSROB violations, made statements that amounted to a violation of 18 U.S.C. 1001—False Statements, breached the terms of the Telecommuting Agreement with the agency, and violated the agency's Instruction on Telecommuting.

The matter was referred to management for appropriate disciplinary action.

### Non-Compliance with Paperwork Reduction Act

The OIG received two referrals from the United States Government Accountability Office (GAO), during this reporting period. The referrals were based on information submitted anonymously to GAO's *FraudNet* Operations Hotline. Both complaints alleged that the agency engaged in violations of the *Office of Management and Budget (OMB) Paperwork Reduction Act* (PRA). Investigations were conducted into both matters. In the first instance, the investigation revealed that the agency's actions related to requests for specific data from the corporate credit unions were part of the examination process and considered supervisory contacts. Therefore, we determined the activities to be within the scope of the NCUA's existing (active) OMB information collection approval.

However, in the second case, the OIG found that the agency requested corporate credit union payment system activity information that went beyond the scope of its current OMB information collection approval. NCUA management explained that its need for this information was critical in light of the current financial crisis confronting corporate

credit unions. Specifically, the agency stated that it needed to collect the information to, in turn, respond to information requests from the Federal Reserve Board on payment system operations in corporate credit unions.

#### Retaliation / Intimidation

During this reporting period, the OIG received a third party allegation that management may have intimidated or attempted to influence an employee who initiated an information request as part of her assigned duties and responsibilities. The OIG investigated the allegation and found no basis for concluding that management's discussion with the employee, about the information request, was intended to intimidate her or influence the outcome of a review of an agency program that was being conducted at the time. Of particular significance was the employee's own statement that she did not feel intimidated or influenced by management's discussions with her about the situation.

#### Time and Attendance Fraud

The U.S. Office of Special Counsel (OSC) referred an anonymous complaint to the OIG alleging misconduct on the part of an agency employee. Specifically, the complaint alleged that an NCUA manager abused time and attendance requirements by failing to work full days and failing to file the required documentation for absences. Moreover, the complaint alleged that although more senior management was aware of the employee's behavior, no disciplinary action was taken. The OIG inquired into the matter and concluded that there was insufficient evidence to either substantiate or disprove the allegations raised based on the information outlined in the OSC complaint.

## 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 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 30 items, including proposed and final legislation and regulations, comments to proposed regulations, Letters to Credit Unions, and agency Interpretive Rulings and Policy Statements (IRPS). We issued formal comments to and testified before Congress on one legislative item, H.R. 885.

SUMMARY OF STATUTES AND REGULATIONS REVIEWED	
Legislation	Title
P.L. 111-5	“American Recovery and Reinvestment Act of 2009”
H.R. 885	“Improved Financial and Commodities Markets Oversight and Accountability Act”
H.R. 478	“Federal Agency Performance Review and Efficiency Act”
H.R. 786	“To Make Permanent the Temporary Increase in Deposit Insurance Coverage, and for Other Purposes”
S. 372, H.R. 1507	“Whistleblower Protection Enhancement Act of 2009”
H.R. 1424	“Emergency Economic Stabilization Act of 2008”

Regulations/Rulings	Title
12 CFR Parts 701, 742	Final Rule: Regulatory Flexibility Regarding Ownership of Fixed Assets
12 CFR Part 706	Final Rule: Unfair or Deceptive Acts or Practices
12 CFR Part 740.4	Final Rule: Accuracy of Advertising and Notice of Insured Status
12 CFR Parts 702, 704	Final Rule: Prompt Corrective Action; Amended Definition of Post-Merger Net Worth
12 CFR 701, 705	Final Rule: The Low-Income Definition

12 CFR Part 701	IRPS 08-2 – Service to Underserved Areas
12 CFR Part 721	Incidental Powers
12 CFR Parts 740, 745	Final Rule: Display of Official Sign: Temporary Increase in Standard Maximum Share Insurance Amount; Coverage for Custodial Loan Accounts
12 CFR Part 745	Final Rule: Share Insurance for Revocable Trust Accounts
12 CFR Part 707	Proposed Rule: Truth-in-Savings Act Disclosures
12 CFR Parts 741, 748, 749	Proposed Rule: Credit Union Reporting
12 CFR Part 701	Proposed Rule: Operating Fees
	Proposed Interagency Appraisal and Evaluation Guidelines (related to 12 CFR Part 722)
12 CFR Part 740.4	Comments: Accuracy of Advertising and Notice of Insured Status
12 CFR Parts 740, 745	Comments: Display of Official Sign; Temporary Increase in Standard Maximum Share Insurance Amount; Coverage for Custodial Loan Accounts
12 CFR Part 745	Comments: Share Insurance for Revocable Trust Accounts
Letter to Credit Unions 09-CU-08	Filing Trends in Mortgage Loan Fraud
Letter to Credit Unions 09-CU-07	Corporate Stabilization Program – Conservatorship of U.S. Central FCU and Western Corporate FCU
Letter to Credit Unions 09-CU-05	State of the Credit Union Industry as of December 31, 2008
Letter to Credit Unions 09-CU-02	Corporate Credit Union System Strategy
Letter to Credit Unions 09-CU-01	Risk Management of Remote Deposit Capture
Letter to Federal Credit Unions 09-FCU-04	Supervision Considerations for Natural Person Credit Unions and the Announced Corporate Stabilization Efforts
Letter to Federal Credit Unions 09-FCU-03	Membership Data Collection
Letter to Federal Credit Unions 09-FCU-01	Permissible Investments – Depository Institution Debt Guaranteed by NCUSIF or the FDIC

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	
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 allowed	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	N/A
	(ii) Dollar value of recommendations not agreed to by management.	N/A	N/A
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, 2008 THROUGH MARCH 31, 2009

<b>PART I – AUDIT REPORTS ISSUED</b>		
Report Number	Title	Date Issued
OIG-08-09	Home Mortgage Disclosure Act Data Analysis Review	11/07/2008
OIG-08-10	Material Loss Review of Huron River Area Credit Union	11/26/2008
<b>PART II – AUDITS IN PROGRESS</b> <i>(as of March 31, 2009)</i>		
	NCUA Financial Statement Audit	
	Material Loss Review of Norlarco FCU	
	Material Loss Review of Cal State 9 FCU	
	Material Loss Review of New London FCU	

INDEX OF REPORTING REQUIREMENTS		
SECTION	DATA REQUIRED	PAGE REF
4(a)(2)	Review of Legislation and Regulations	26
5(a)(1)	Significant Problems, Abuses, or Deficiencies Relating to the Administration of Programs and Operations Disclosed During the Reporting Period.	18
5(a)(3)	Recommendations with Respect to Significant Problems, Abuses or Deficiencies.	18
5(a)(3)	Significant Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed.	22
5(a)(4)	Summary of Matters Referred to Prosecution Authorities and Prosecutions, Which Have Resulted.	None
5(a)(5)	Summary of Each Report to the Board Detailing Cases Where Access to All Records Was Not Provided or where Information Was Refused.	None
5(a)(6)	List of Audit Reports Issued During the Reporting Period.	30
5(a)(7)	Summary of Particularly Significant Reports.	18
5(a)(8)	Statistical Tables on Audit Reports With Questioned Costs.	28
5(a)(9)	Statistical Tables on Audit Reports With Recommendations That Funds Be Put To Better Use.	29
5(a)(10)	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.	None
5(a)(11)	Description and Explanation of Reasons for Any Significant Revised Management Decision Made During the Reporting Period.	None
5(a)(12)	Information Concerning Significant Management Decisions With Which the Inspector General is in Disagreement.	None



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