



NCUA
National Credit Union Administration

OFFICE OF
INSPECTOR GENERAL



Semiannual Report to the Congress

April 1 – September 30, 2022

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A Message from the Inspector General

On behalf of the Office of Inspector General (OIG) of the National Credit Union Administration (NCUA), I am pleased to present our Semiannual Report to the NCUA Board and the Congress highlighting our accomplishments and ongoing work for the 6-month period ending September 30, 2022. Our work reflects the legislative mandate of the Inspector General Act of 1978, as amended, to promote the economy, efficiency, and effectiveness of NCUA programs and operations, and protect against fraud, waste, and abuse. The audits and investigations highlighted in this report demonstrate our commitment to that cause as well as our goal of enhancing public confidence in the NCUA’s regulatory process.

The NCUA and OIG continued to work in a remote posture that started in March of 2020. However, we will return to the office in October 2022 with expanded telework options.

During this reporting period, the OIG completed an audit of NCUA’s minority depository institution (MDI) preservation program and determined that the MDI program achieved its goals. Specifically, we determined the NCUA took actions to preserve the present number of MDIs, preserve the minority character of MDIs, provide technical assistance to prevent insolvency of MDIs, promote and encourage the creation of MDIs, and provide training, technical assistance, and educational programs. However, based on our survey of MDIs, we believe the NCUA should evaluate its communications with MDIs. In addition, we determined the NCUA lacked a process to conduct a required review to determine if MDIs continue to meet the MDI definition. We made two recommendations and the NCUA is in the process of taking corrective action.

On the investigative side, the Office of Investigations (OI) closed one investigation during the reporting period and continued to work on an investigation opened in the previous period.

Finally, I would like to thank Chairman Harper, Vice Chairman Hauptman, and Board Member Hood for their sustained support of the OIG’s work. As in the past, the NCUA Board and management are responsive to all OIG recommendations and strive to implement them expeditiously. I look forward to working with them in our ongoing efforts to promote economy and efficiency in agency programs and operations.

A handwritten signature in black ink, appearing to read 'James W. Hagen'.

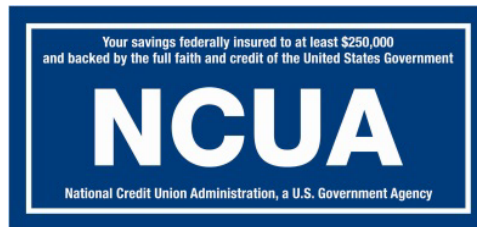
James W. Hagen
Inspector General



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The National Credit Union Administration Mission

The National Credit Union Administration’s (NCUA) mission is to provide, through regulation and supervision, a safe and sound credit union system, which promotes confidence in the national system of cooperative credit.



The Office of Inspector General Mission

The Office of Inspector General (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.

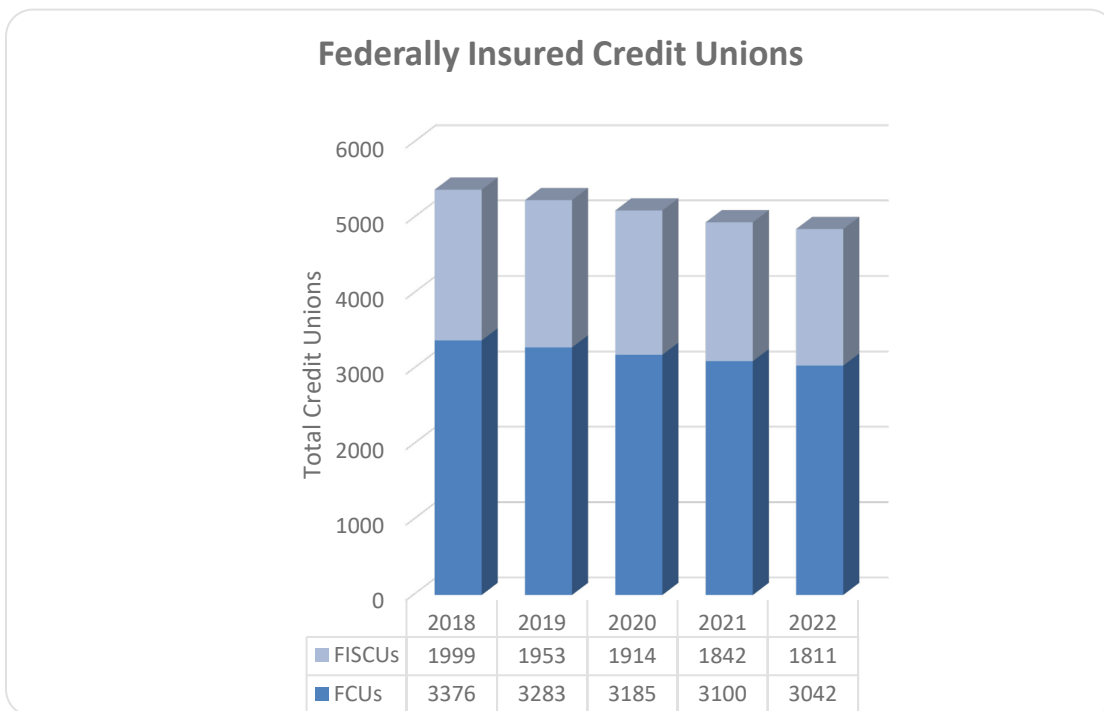
We accomplish our mission by conducting independent audits, investigations, and other activities, and by keeping the NCUA Board and the Congress fully and currently informed of our work.



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Introduction

The 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 (FCUs). 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 June 30, 2022, the NCUA supervised and insured 3,042 FCUs and insured 1,811 state-chartered credit unions (FISCUs), a total of 4,853 institutions. This represents a decline of 58 federal and 31 state-chartered institutions since December 31, 2021, for a total decrease of 89 credit unions nationwide. The year-over-year decline is consistent with long-running industry consolidation trends.



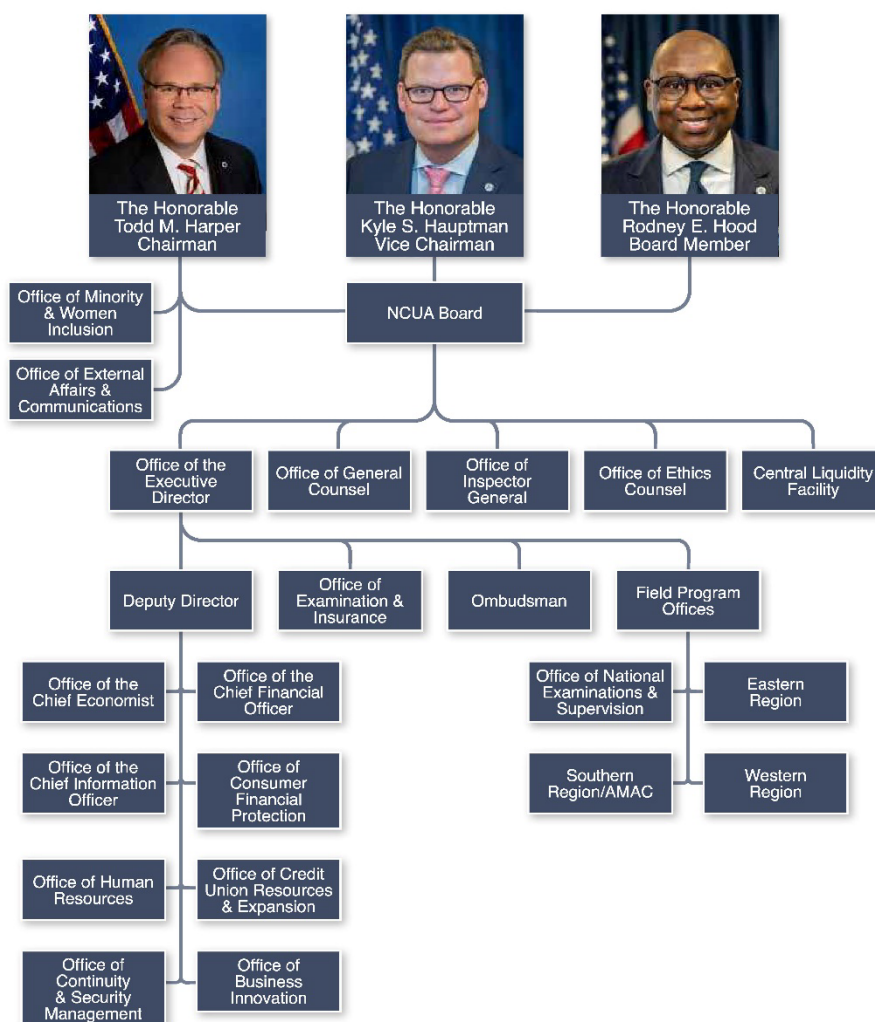
NCUA operates under the direction of a Board composed of three members. Board members are appointed by the President and confirmed by the Senate. They serve 6-year terms, although a Board member’s term may be shorter when a member fills a past member’s unexpired term. Terms are staggered, so that one term expires every 2 years. The Board is responsible for the management of the NCUA, including the National Credit Union Share Insurance Fund (Share Insurance Fund), the NCUA Operating Fund, the Central Liquidity Facility (CLF), and the Community Development Revolving Loan Fund (CDRLF).



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The NCUA executes its program through its Alexandria, Virginia central office and regional offices in Alexandria, Virginia (Eastern); Austin, Texas (Southern); and Tempe, Arizona (Western). The NCUA also operates the Asset Management and Assistance Center (AMAC) in Austin, Texas. Please refer to the NCUA’s organizational chart below.

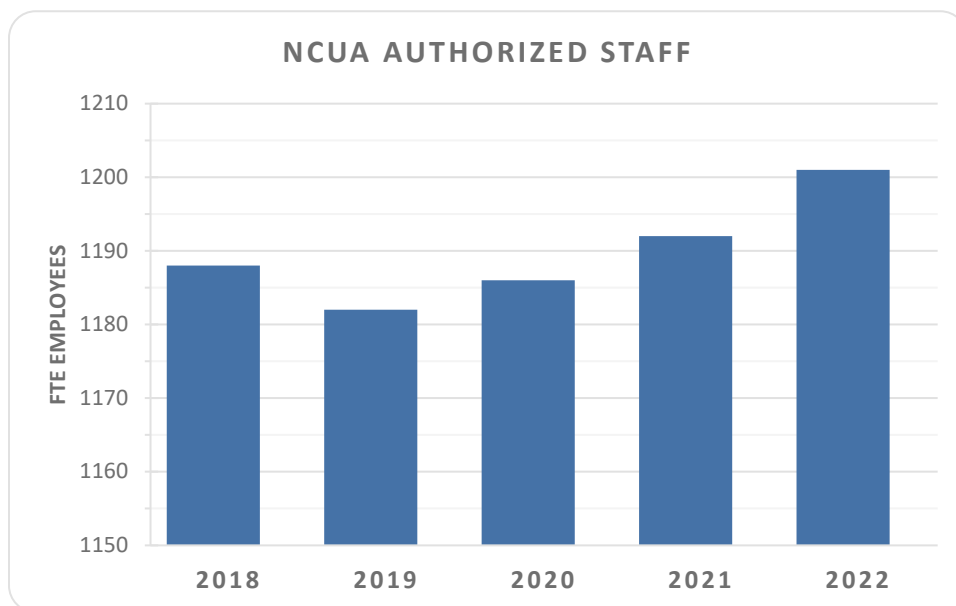
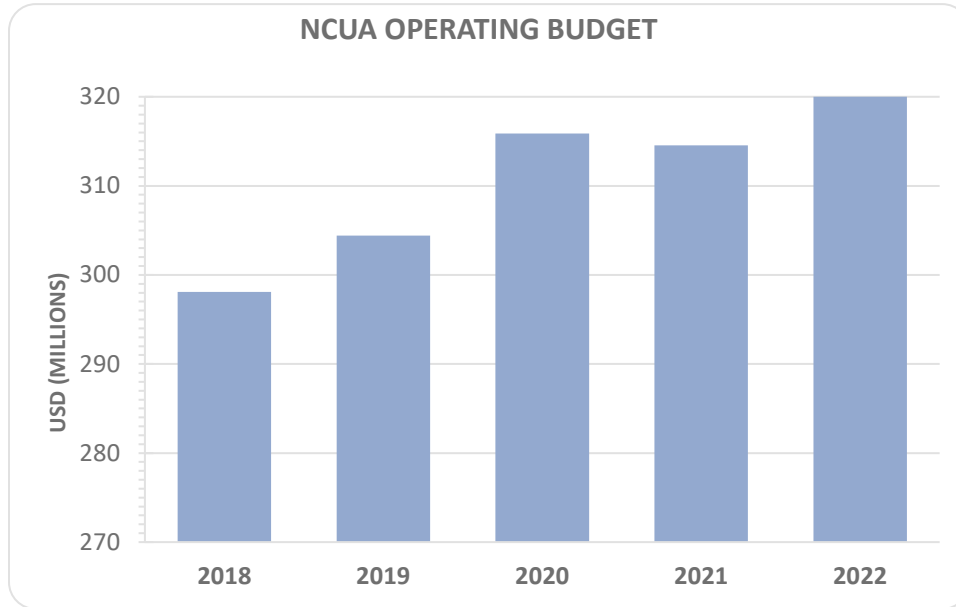
National Credit Union Administration **Organizational Chart**





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On December 16, 2021, the NCUA Board approved the agency’s budgets for 2022 and 2023. Combined, the operating, capital, and National Credit Union Share Insurance Fund administrative budgets for 2022 total \$339.5 million. The combined budget for 2023 is \$381.3 million. The NCUA’s 2022 operating budget is \$320.1 million, an increase of approximately \$5.6 million compared to the 2021 Board -approved budget. Authorized staffing levels for 2022 increased by two full-time equivalents (FTE) compared to 2021.





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NCUA Highlights

Chairman Harper Confirmed for Full Board Term

On June 8, 2022, the Senate confirmed Chairman Harper for a full term on the NCUA Board. His new term expires April 10, 2027.

Amber Gravius Selected as Director of the Office of Business Innovation

On August 9, 2022, the NCUA named Amber Gravius as the Director of the Office of Business Innovation and Chief Data Officer. She acted in that position prior to her selection.

House Passed National Defense Authorization Act with Cannabis Banking and NCUA Vendor Authority Measures

On July 14, 2022, the U.S. House of Representatives passed the National Defense Authorization Act (the NDAA) for 2023, H.R. 7900, which contains the Secure and Fair Enforcement (SAFE) Banking Act. The SAFE Banking Act would provide credit unions and banks with a regulatory safe harbor if they serve cannabis-related business in states where cannabis is legal. This was the seventh time the House of Representatives passed the SAFE Banking Act. The Senate has removed this provision in the NDAA in the past and otherwise has not passed it. The NDAA also provides the NCUA oversight authority over credit union service organizations and vendors, which was the subject of an audit the OIG issued in 2020, [OIG-20-07](#).

The NCUA Clarified Credit Unions' Use of Distributed Ledger Technologies

In May 2022, the NCUA issued a letter to credit unions ([22-CU-07](#)) indicating that credit unions were not prohibited from developing, procuring, or using distributed ledger technologies if they deployed those technologies for permissible activities and complied with all applicable laws and regulations. The letter outlined governance, oversight, and planning approaches and risk mitigation strategies for credit union boards to consider when employing distributed ledger technologies.

NCUA to Distribute \$395 Million Under Corporate System Resolution Program

On August 28, 2022, the NCUA announced a \$313 million distribution to more than 400 membership and paid in capital shareholders of the former Members United, Constitution, and U.S. Central corporate credit unions. NCUA also will distribute \$82 million in dividends to more than 1,100 shareholders of Southwest Corporate. NCUA completed capital distributions to



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Southwest Corporate capital holders last year. This is the fifth round of distributions under the Corporate System Resolution Program, which was established by the NCUA Board to stabilize, resolve, and reform the corporate credit union system in the wake of the 2008 financial crisis. The program allowed the credit union system to absorb the failures of U.S. Central, Western, Southwest, Members United, and Constitution corporate credit unions over time.

The NCUA Revised Interest Rate Risk Supervisory Framework

In September 2022, the NCUA issued a letter to credit unions (22-CU-09) notifying them that it had modified its interest rate risk supervisory framework because of current market conditions. Part of the changes apply to the NCUA’s Net Economic Value (NEV) Supervisory Test, which measures a credit union’s interest rate risk exposure relative to its capital. In 2020 and 2021, many credit unions experienced significant share growth that depressed net worth ratios, followed by a rapid rise in benchmark interest rates in 2022. The revised framework eliminated the extreme risk classification and modified the high risk classification, removed the presumption for a document of resolution based on an interest rate risk classification, provided examiners more flexibility in assigning interest rate risk ratings, and updated examiner review steps.

The NCUA Announced Simplified CECL Methodology for Small Credit Unions

The Financial Accounting Standards Board announced in 2016 a new accounting standard introducing the current expected credit loss (CECL) methodology for estimating allowances for credit losses. CECL becomes effective for federally insured credit unions for financial reporting years beginning after December 15, 2022. In a September 2022 letter to credit unions (22-CU-10), the NCUA announced the availability of a simplified CECL tool for credit unions with less than \$100 million in assets. The simplified CECL tool uses the weighted average remaining maturity methodology (WARM methodology). Credit unions may also use other credit loss models, such as expected loss, discounted cash flow, roll-rate, and probability of default.

The NCUA Returns to Onsite Operations on October 17

The NCUA informed agency employees on September 13 and credit unions on September 20 that employees will resume onsite work on October 17. Examiners will continue to conduct some examination steps offsite when they can be completed efficiently and effectively in credit unions that can accommodate the offsite work.



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Board Approved Proposed Rulemakings on Member Expulsion and Subordinated Debt at First In-Person Meeting

On September 22, the Board held its first in-person open board meeting since the pandemic began. At the meeting, the Board unanimously approved a notice of proposed rulemaking that would amend the standard credit union bylaws to permit a member to be expelled for cause by a two-thirds vote of a quorum of the credit union’s board of directors. Currently, a credit union could expel a credit union member by a two-thirds vote of the membership present at a special meeting called for that purpose or for non-participation in the affairs of the credit union.

As a follow-up to its January 1, 2022, final rule on subordinated debt, the Board unanimously approved a rulemaking that would replace the maximum 20-year maturity of notes with a requirement that any credit union seeking to issue notes with maturities longer than 20 years must demonstrate how such instruments would continue to be considered debt. The proposed rule also would extend the regulatory capital treatment of grandfathered secondary capital to the later of 30 years from the date of issuance or January 1, 2052.



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Federally Insured Credit Union Highlights

Credit unions complete and submit quarterly call reports that contain financial and statistical data to the NCUA. Based on data compiled from these call reports, the NCUA produces a quarterly credit union data summary report¹ and a quarterly financial trend report.² The quarterly data summary report provides an overview of credit union financial performance and includes listings of summarized accounts, selected performance indicators, performance by asset category, as well as balance sheet and income statement details. The financial trends report presents year-to-date financial trends in various chart formats. Following is our summary of the June 30, 2022, quarterly data summary and financial trends reports.

Key Financial Indicators

The June 30, 2022, quarterly data summary report provided a comparison of the second quarter 2022 data to the same quarter in the previous year. For major balance sheet items and key ratios, the report presented the following percentage changes over four quarters (June 2021 to June 2022) for the nation's 4,853 federally insured credit unions: total assets increased by 8.1 percent, net worth ratio increased from 10.16 percent to 10.42 percent, and the loan-to-share ratio increased from 69.6 percent to 74.8 percent. The delinquency rate increased from .46 percent to .48 percent. Credit union return on average assets decreased from 1.12 percent to .86 percent.

Share Trends and Distribution

Total shares and deposits increased 8.1 percent, \$139.7 billion, bringing the balance to \$1.85 trillion. Regular shares accounted for 37.1 percent of total shares and deposits, \$688.96 billion. Money market shares comprised 23 percent, \$426.97 billion. Share drafts accounted for 20.7 percent, \$383.13 billion. Share certificates represented 12.9 percent, \$239.9 billion. IRA/KEOGH accounts comprised 4.5 percent, \$83.36 billion; non-member deposits comprised .8 percent, \$14.55 billion; and all other shares comprised 1 percent, \$17.74 billion, of total shares and deposits.

¹ <https://www.ncua.gov/analysis/credit-union-corporate-call-report-data/quarterly-data-summary-reports>

² <https://www.ncua.gov/analysis/credit-union-corporate-call-report-data/financial-trends-federally-insured-credit-unions>



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Loan Trends and Distribution

Total loans increased 16.2 percent, \$193.8 billion, bringing the balance to \$1.39 trillion. Total net loans comprised 64.4 percent of credit union assets. First mortgage real estate loans accounted for the largest single asset category with \$522.93 billion, 37.7 percent of total loans. Used vehicle loans of \$291.04 billion represented 21 percent, while new vehicle loans amounted to \$156.55 billion, 11.3 percent. Other real estate loans of \$89.02 billion accounted for 6.4 percent. Unsecured credit cards totaled \$67.3 billion, 4.9 percent, while all other unsecured loans totaled \$57.23 billion, 4.1 percent. Leases receivable and all other non-commercial loans represented \$77.31 billion, 5.6 percent. Commercial real estate secured loans totaled \$115.93 billion, 8.4 percent, and commercial non real estate secured loans totaled \$9.69 billion, .7 percent, of total loans.



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Legislative Highlights

National Defense Authorization Act for 2023

On July 14, 2022, the U.S. House of Representatives passed the National Defense Authorization Act (the NDAA) for 2023, H.R. 7900, which contains several significant provisions relating to the NCUA and credit unions. The NDAA contains the Secure and Fair Enforcement (SAFE) Banking Act, which would provide credit unions and banks with a regulatory safe harbor if they serve cannabis-related business in states where cannabis is legal. For the NCUA’s Central Liquidity Fund (CLF), the NDAA would extend through 2023 provisions allowing corporate credit unions access to the CLF, as agent members, to borrow for their own needs, and provide greater flexibility to agent members to join and serve smaller groups of their covered intuitions, as well as extending other CLF-related provisions through 2023. The NDAA also provides the NCUA oversight authority over credit union service organizations and vendors, which was the subject of an audit the OIG issued in 2020, [OIG-20-07](#). In addition, the NDAA contains provisions that the removal of an IG requires giving the appropriate congressional committees a substantive rationale with detailed and case-specific reasons for the removal, that only employees within an OIG may be appointed as an acting IG, and a provision that imposes a term limit for IGs.

Office of Inspector General

The Office of Inspector General was established at the NCUA in 1989 pursuant to an amendment of the Inspector General Act of 1978. The staff consists of the Inspector General, Deputy Inspector General, Counsel to the Inspector General/Assistant Inspector General for Investigations, Director of Investigations, Senior Information Technology Auditor, four Senior Auditors, and an Office Manager.

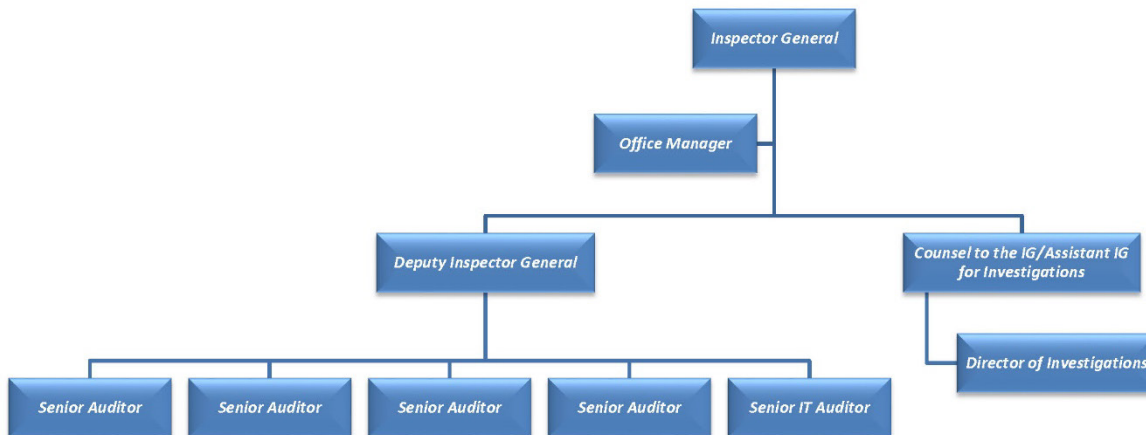
The Inspector General reports to and is under the general supervision of the NCUA Board. The Inspector General is responsible for:

1. Conducting, supervising, and coordinating audits and investigations relating to NCUA programs and operations;
2. Reviewing policies and procedures to ensure efficient and economic programs and operations and prevent and detect 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 operations; and



- 4. Keeping the NCUA Board and the Congress apprised of significant findings and recommendations.

NCUA OIG ORGANIZATIONAL CHART





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Audit Activity

Audit Reports Issued

OIG-22-06 Audit of the NCUA’s Minority Depository Institutions Preservation Program, issued September 8, 2022

We conducted this self-initiated audit to assess the NCUA’s Minority Depository Institutions Preservation Program (MDIPP). The objective of our audit was to determine whether the NCUA’s MDIPP achieved its goals.

Results of our audit determined that the NCUA’s MDIPP achieved its goals by preserving the present number of minority depository institutions (MDIs), preserving the minority character of MDIs, providing technical assistance to prevent insolvency of MDIs, promoting and encouraging the creation of MDIs, and providing training, technical assistance, and educational programs. However, based on results of our survey of MDIs, we determined the NCUA should evaluate its communications with these institutions to ensure the focus of the agency’s messaging is on issues and concerns brought forward by the MDIs and the agency’s efforts to preserve and promote their existence. In addition, we determined the NCUA lacked a process to conduct a required review to determine if MDIs continue to meet the MDI definition.

We made two recommendations in our report to address the issues we identified and management agreed to both recommendations.

Audits in Progress

Audit of the NCUA’s Continuity of Operations Program (COOP)

The NCUA’s Office of Continuity and Security Management (OCSM) is responsible for continuity of operations and emergency management, physical security at NCUA facilities, personnel security, and national security and intelligence activities. OCSM provides a link between the intelligence community and the credit union system by managing NCUA’s threat analysis processes and working with the intelligence community and other partners to provide information on threats to the credit union system.

We are conducting this self-initiated audit to determine whether the NCUA’s COOP is: (1) in accordance with applicable laws, regulations, policies and procedures, and (2) ready and able to execute should the need arise.



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Audit of the NCUA’s Contracting Officer’s Representative (COR) Program

The Division of Procurement and Financial Management (DPFM) within the Office of the Financial Officer (OCFO) is responsible for NCUA’s COR Program, which includes overseeing COR appointments, training/certification, and the oversight of COR duties.

We are conducting this self-initiated audit to determine whether the NCUA is adhering to its Acquisition Policy Manual’s provisions regarding the COR Program. Our audit will determine whether: (1) NCUA staff serving in the role of CORs have been appropriately nominated and appointed and whether they received training for certification; and (2) appointed CORs are performing contract administration in accordance with applicable policies and procedures.

Audit of NCUA’s Bank Secrecy Act Enforcement

In 1970, Congress passed the Currency and Foreign Transactions Reporting Act, commonly known as the “Bank Secrecy Act” (BSA), which established recordkeeping and reporting requirements by private individuals, banks, and other financial institutions. The BSA is intended to safeguard the U.S. financial system and the financial institutions that make up that system from the abuses of financial crime, including money laundering, terrorist financing, and other illicit financial transactions. Every credit union must comply with BSA requirements. BSA compliance requires credit unions to track cash transactions and purchases of cash equivalents, such as money orders, and to comply with other recordkeeping and reporting requirements. The NCUA has authority to ensure compliance with BSA requirements, which is a condition of federal insurance.

We are conducting this self-initiated audit to determine whether the NCUA: (1) adequately reviews compliance with the BSA during credit union safety and soundness examinations, (2) issues timely formal or informal enforcement actions to address BSA-related violations, (3) tailors enforcement actions to address deficiencies identified during the supervisory process, (4) follows up on reported BSA violations to ensure credit unions take appropriate corrective action before closure of the violation, and (5) appropriately refers significant BSA violations and deficiencies to the U.S. Department of Treasury.

FY 2022 Independent Evaluation of the NCUA’s Compliance with the Federal Information Security Modernization Act of 2014 (FISMA)

During this reporting period, the NCUA OIG engaged CliftonLarsonAllen, LLP (CLA) to independently evaluate the NCUA’s information systems and security program and controls for compliance with the FISMA.

CLA is evaluating the NCUA’s security program through interviews, documentation reviews, technical configuration reviews, social engineering testing, and sample testing. The NCUA is being evaluated against standards and requirements for federal government agencies such as those provided through FISMA, National Institute of Standards and Technology Special



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Publications, and OMB memoranda. We issued the IG FISMA Reporting Metrics in July 2022, and will issue the final FISMA audit report in October 2022.

NCUA 2022 Financial Statement Audits

The OIG engaged KPMG to conduct the 2022 financial statement audits of the NCUA Operating Fund, Share Insurance Fund, the Central Liquidity Facility, and the Community Development Revolving Loan Fund. In addition to conducting these financial statement audits, KPMG is also providing audit assurance on a specific line item, a Balance Sheet line item - Other Liabilities, which consists primarily of the Share Insurance Fund's Contributed Capital and the related note disclosure regarding insurance-in-force. The schedule of Contributed Capital and related note disclosure are prepared for the purpose of providing financial information to the U.S. Department of Treasury and the U.S. Government Accountability Office (GAO) to use in preparing and auditing the Financial Report of the U.S. Government for FY 2022.

- 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 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 NCUA-insured 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.
- The purpose of the Community Development Revolving Loan Fund is to stimulate economic activities in communities served by low-income credit unions, resulting in increased income, ownership, and employment opportunities for low-wealth residents and other economic growth.

The NCUA, as a Calendar Year (CY) significant component entity, is required to have audited financial statements. In November 2022, we will issue an auditor's report on the Schedule, which includes the material line item and note disclosures that the U.S. Department of Treasury identified and communicated to us for fiscal year 2022, which for the NCUA includes a report on the CY significant component entity's material line item and note disclosures for fiscal years ended September 30, 2022, and 2021, including an opinion on the CY significant component entity's material line item, including accompanying notes.

In February 2023, we will issue the auditor's reports and opinions on the financial statements of the NCUA's four permanent funds for calendar years ended December 31, 2022, and 2021.



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Audit of NCUA’s Quality Assurance Program (QA)

The NCUA’s QA program includes assessing and reviewing all activities related to oversight of federally insured credit unions. The NCUA’s National Supervision Policy Manual (NSPM) describes the QA program and the report processes used to evaluate and review credit union examination reports and supervision work. The QA program’s goals include ensuring: (1) timely identification of credit union problems; (2) results-oriented reports and timely communication with officials; (3) uniform application of examination, insurance, supervision policies, procedures, and standards; and (4) consistent and timely feedback to examiners regarding their work.

We are conducting this self-initiated audit to determine whether the NCUA conducts its QA program in accordance with requirements.

Material Loss Reviews (MLR)

The Federal Credit Union Act requires the OIG to conduct a material loss review (MLR) of an insured credit union if the loss to the Share Insurance Fund exceeds \$25 million and an amount equal to ten percent of the total assets of the credit union at the time in which the NCUA Board initiated assistance or was appointed liquidating agent pursuant to the Act. When losses exceed this materiality threshold, we review the loss to: (1) determine the cause(s) of the credit union’s failure and the resulting loss to the Share Insurance Fund and (2) assess the NCUA’s supervision of the credit union. During this reporting period, the Share Insurance Fund had no losses exceeding the materiality threshold.

In addition, for any loss to the Share Insurance Fund that does not meet the threshold, the Federal Credit Union Act requires the OIG to conduct a limited-scope review to determine whether unusual circumstances exist related to the loss that would warrant conducting a full-scope MLR. For the current reporting period, the Share Insurance Fund incurred losses below the threshold because of two failed credit unions during this reporting period. We conducted limited-scope reviews on each of these failed credit unions, which are discussed further on page 22.

Significant Recommendations on Which Corrective Action Has Not Been Completed

Following is a list of OIG reports with significant unimplemented recommendations as of September 30, 2022. NCUA management has agreed to implement corrective action but has yet to complete those actions. This information was supplied by the NCUA Office of the Executive Director and is monitored within the OIG’s report recommendation tracking system.



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Significant Recommendations Open and Brief Summary

1. **OIG-20-07** *Audit of the NCUA’s Examination and Oversight Authority of Credit Union Service Organizations and Vendors*, issued September 1, 2020, recommendation #1. Continue efforts to work with appropriate Congressional committees regarding amending the Federal Credit Union Act to grant the NCUA the authority to subject credit union service organizations and credit union vendors to examination and enforcement authority to the same extent as if they were an insured credit union.

Status: Open. Management indicated the agency has had continued conversations with House Financial Services Committee and Senate Banking Committee staff. In addition, NCUA provided technical assistance on legislation that would provide the NCUA the authority, which is included in the National Defense Authorization Act for 2023, H.R. 7900, which the U.S. House of Representatives passed in July.

2. **OIG-18-07** *FY2018 Federal Information Security Modernization Act Compliance*, issued October 31, 2018, recommendation #8. The Office of the Chief Information Officer (OCIO) enforce the policy to remediate patch and configuration related vulnerabilities within agency defined timeframes.

Status: Open. Management indicated the agency continues to make significant improvement toward achieving defined timeframes to remediate vulnerabilities that are web facing and ensure agency laptops comply with policy. Management also noted that vulnerabilities affecting internal servers that exceed the defined timeframes have been documented in a plan of action and milestone or an acceptance of risk until the vulnerability can be remediated.

3. **OIG-22-06** *Audit of the NCUA’s Minority Depository Institutions Preservation Program*, issued September 8, 2022, recommendation #2. Implement and document in appropriate policy and procedures, a process to validate whether minority depository institutions continue to meet the minority depository institution definition.

Status: Open. This recommendation has been open less than 6 months since issuance of the audit. Management agreed with the recommendation and indicated it had already identified the need to document a validation process earlier this year, was working on incorporating this into updated examination procedures for minority depository institutions, and plans to implement the validation process by March 31, 2023.

Summary of Audit Reports Over 6 Months Old with Unimplemented Recommendations

Following are summaries of seven OIG audit reports over 6 months old that have a total of 14 unimplemented recommendations, including any associated cost savings as of September 30, 2022. For each of these reports, NCUA management has agreed to implement corrective action,



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but has yet to complete those actions. The OIG monitors this information within its audit report open recommendation tracking system.

Brief Report Summary and Unimplemented Recommendations

1. **OIG-18-07** *FY2018 Federal Information Security Modernization Act Compliance*, October 31, 2018, Number of Open Recommendations Remaining: 4, Potential Cost Savings: \$0

The OIG identified information security program areas where the NCUA needs to make improvements.

Unimplemented Recommendations

Recommendation #6—The Office of Continuity and Security Management complete its employee background reinvestigations.

Recommendation #8—The OCIO enforce the policy to remediate patch and configuration related vulnerabilities within agency defined timeframes.

Recommendation #9—The OCIO implement a process to detect and migrate unsupported software to supported platforms before support for the software ends.

Recommendation #10—The OCIO implement a process to identify authorized software in its environment and remove any unauthorized software.

2. **OIG-19-10** *NCUA Federal Information Security Modernization Act of 2014 Audit—Fiscal Year 2019*, issued December 12, 2019, Number of Open Recommendations Remaining: 1, Potential Cost Savings: \$0

The OIG made the following recommendation that will assist the agency in improving the effectiveness of its information security and its privacy programs and practices.

Unimplemented Recommendation

Recommendation #4—Ensure the agency implements, tests, and monitors standard baseline configurations for all platforms in the NCUA information technology environment in compliance with established NCUA security standards. This includes documenting approved deviations from the configuration baselines with business justifications.

3. **OIG-20-01** *Material Loss Review of C B S Employees Federal Credit Union*, issued February 11, 2020, Number of Open Recommendations Remaining: 1, Potential Cost Savings: \$0



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The OIG made the following recommendation that will assist the agency in improving the effectiveness of its examination program.

Unimplemented Recommendation

Recommendation #2—Amend guidance related to member account verifications. Specifically, the amended guidance should require reconciliation from the print processor to the share and loan subsidiaries when a statement verification is performed.

4. **OIG-20-07** *Audit of the NCUA’s Examination and Oversight Authority of Credit Union Service Organizations and Vendors*, issued September 1, 2020, Number of Open Recommendations: 1, Potential Cost Savings: \$0

The NCUA OIG made the following recommendation that will assist the agency in improving the effectiveness of its examination program.

Unimplemented Recommendation

Recommendation #1—Continue efforts to work with appropriate Congressional committees regarding amending the Federal Credit Union Act to grant the NCUA the authority to subject credit union service organizations and credit union vendors to examination and enforcement authority to the same extent as if they were an insured credit union.

5. **OIG-21-06** *Audit of the NCUA’s Governance of Information Technology Initiatives*, issued September 28, 2021, Number of Open Recommendations Remaining: 1, Potential Cost Savings: \$0

The NCUA OIG made the following recommendation that will assist the agency in improving the effectiveness over its Information Technology governance initiatives.

Unimplemented Recommendation

Recommendation #1—Document and publish Information Technology Investment Management policies and procedures to include definitions, roles, responsibilities, and processes associated with information technology governance and selecting, controlling, and evaluating information technology investments.

6. **OIG-21-09** *NCUA Federal Information Security Modernization Act of 2014 Audit—Fiscal Year 2021*, issued November 22, 2021, Number of Open Recommendations: 5, Potential Cost Savings: \$0

The OIG made the following recommendations that will assist the agency in improving the effectiveness of its information security and its privacy programs and practices.



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Unimplemented Recommendations

Recommendation #1—Review the Supply Chain Risk Management (SCRM) National Institute of Standards and Technology (NIST) guidance and update the SCRM plan, policies, and procedures to fully address supply chain risk management controls and practices.

Recommendation #2—Document and implement a plan to deploy multifactor authentication to address increased risks with the large number of personnel teleworking without a PIV card during the pandemic.

Recommendation #5—Complete and issue policies to implement the Controlled Unclassified Information (CUI) program.

Recommendation #6—Upon issuance of the CUI policies, design and implement media marking to designate protection standards for safeguarding and/or disseminating agency information.

Recommendation #7— [Note: We redacted this recommendation under 5 U.S.C. 552 § (b)(7)(E)].

7. **OIG-21-11** *Material Loss Review of Indianapolis’ Newspaper Federal Credit Union*, issued December 15, 2021, Number of Open Recommendations: 1, Potential Cost Savings: \$0

The OIG made the following recommendation that will assist the agency in improving the effectiveness of its examination program.

Unimplemented Recommendation

Recommendation #1—Enhance annual Small Credit Union Examination Program training related to concentration risk. Enhanced examiner training should include additional emphasis on applicable NCUA guidance (e.g., NCUA Letter to Credit Unions, 10-CU-03 – Concentration Risk), as well as discussion and training related to the application and enforcement of such guidance. Training should also include discussion of the importance of application to smaller credit unions and the risk of loss to the Share Insurance Fund.

Recommendations for Corrective Action Made During the Reporting Period

During the reporting period, the OIG issued one audit report. The following audit report has two recommendations to help improve the effectiveness of the NCUA’s programs and operations.



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OIG-22-06 *Audit of the NCUA’s Minority Depository Institutions Preservation Program*, issued September 8, 2022, Number of Open Recommendations: 2, Potential Cost Savings: \$0

Recommendation #1— Review all 31 responses the OIG received from its independent survey of minority depository institutions related to communication issues and evaluate and determine the best manner and content of the agency’s messaging to these institutions going forward to ensure the focus is on: (1) issues and concerns brought forward by the 31 minority depository institutions and (2) the agency’s efforts to preserve and promote the existence of the minority depository institutions.

Recommendation #2— Implement and document in appropriate policy and procedures a process to validate whether minority depository institutions continue to meet the minority depository institution definition.

Report on Credit Union Non-Material Losses

As previously mentioned, the Federal Credit Union Act requires the OIG to perform a limited review when the Share Insurance Fund incurs a loss below the material loss threshold in the preceding 6 months due to the failure of an insured credit union.³ The OIG must report on the results of the limited reviews and the timeframe for performing any subsequent in-depth reviews that we determine are necessary.

The report below covers the 6-month period from April 1, 2022, to September 30, 2022. For non-material losses to the Share Insurance Fund, we determine: (1) the grounds identified for appointing the NCUA as the liquidating agent and (2) whether any unusual circumstances existed that might warrant an in-depth review of the loss.

For each limited review, we perform procedures that include: (1) obtaining and analyzing the NCUA’s or state regulator’s supervisory memoranda and other pertinent documents; (2) preparing a schedule of CAMEL ratings assigned to the institution through full scope or other examinations during the 5 years preceding the failure; (3) conducting interviews as needed; (4) inquiring about any investigative actions taken, planned, or considered involving credit union officials or others; and (5) analyzing supervisory history and other review methods.

We conducted limited reviews of two failed credit unions that incurred losses to the Share Insurance Fund under \$25 million between April 1, 2022, to September 30, 2022. Based on those limited reviews, we determined none of the losses warranted conducting additional audit work. For the two failed credit unions, we concluded that either: (1) there were no unusual circumstances or (2) we had already addressed the reasons identified for failure in recommendations to the agency in our MLR Capping report or other MLR reports.

³ The threshold is \$25 million and an amount equal to ten percent of the total assets of the credit union at the time in which the NCUA Board initiated assistance or was appointed liquidating agent pursuant to the Federal Credit Union Act.



April 1–September 30, 2022

The chart below provides details on the two credit union losses to the Share Insurance Fund of less than \$25 million. It provides details on the credit union such as supervision, date of failure, estimated loss to the Share Insurance Fund, and grounds for conservatorship, merger, or other factors. The chart also provides our decision whether to terminate or proceed with an MLR of the credit union.



April–September 30, 2022

DECISIONS REGARDING LOSSES LESS THAN \$25 MILLION					
OIG Decision⁴	Credit Union	Region	Liquidation Date	Est. Loss to Share Insurance Fund	Grounds for Liquidation or Appointment
Terminate	MSBA Employees Federal Credit Union (MSBA)	Eastern	7/11/2022	\$439,089	MSBA entered into a merger with Consumers Federal Credit Union with cash assistance. MSBA’s net worth was critically undercapitalized with no reasonable expectation of solvency due to poor recordkeeping and poor asset quality.
Terminate	Paducah Teachers Federal Credit Union (PTFCU)	Southern	9/22/2022	\$6,300,000	PTFCU became insolvent with no prospect to restore solvency due to a high-risk loan portfolio, alleged fraudulent activity, financial insolvency, and insufficient operational staff. NCUA assisted with an emergency purchase and assumption, which was entered into with C-Plant Federal Credit Union.

⁴ Criteria for each decision included: (1) dollar value or percentage of loss; (2) the institution’s background, such as charter type and history, geographic location, affiliations, business strategy; (3) uncommon cause of failure based on prior Material Loss Review findings; (4) unusual supervisory history, including the nature and timing of supervisory action taken, noncompliance with statutory examination requirements, or indications of rating disagreements between the state regulator and the NCUA; and (5) other, such as apparent fraud, request by the NCUA Board or management, Congressional interest, or Inspector General request.



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Peer Reviews

Government Auditing Standards require audit organizations that perform audits and attestation engagements of federal government programs and operations undergo an external peer review every 3 years. The objectives of an external peer review include a review of an audit organization's system of quality control to determine the suitability of its design, and whether the audit organization is in compliance with the quality control system, so as to provide reasonable assurance the audit organization conforms to applicable professional standards.

External Peer Review of the OIG, Office of Audit

The Peace Corps OIG completed our most recent peer review on March 21, 2022, for the 3-year period ended September 30, 2021. The Peace Corps OIG issued its report entitled *System Review Report* and rendered the opinion that the system of quality control for the OIG, Office of Audit, was suitably designed and that the Office of Audit complied with the system of quality control, thus providing reasonable assurance that the Office of Audit conformed with applicable professional standards in all material respects. As a result, we received a peer rating of *Pass*. See Appendix A for a copy of the System Review Report.

External Peer Review of the National Labor Relations Board OIG, Office of Audit

The NCUA OIG completed a peer review of the National Labor Relations Board (NLRB) OIG. On November 17, 2020, we issued an external peer review report for the audit function of the NLRB OIG for the 3-year period ended September 30, 2020. The NLRB received a rating of *Pass* and there are no outstanding recommendations related to the peer review report.



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Investigative Activity

In accordance with professional standards and guidelines established by the U.S. Department of Justice and the Council of the Inspectors General on Integrity and Efficiency (CIGIE), the OIG’s Office of Investigations (OI) conducts investigations of criminal, civil, and administrative wrongdoing involving the agency’s programs, operations, and personnel. Our investigative mission is to fight fraud, waste, and abuse while promoting efficiency and economy within the NCUA and its programs and operations. In this regard, we investigate allegations of misconduct on the part of NCUA employees, former employees, applicants, and contractors. Investigations examine possible violations of applicable federal laws and regulations as well as NCUA-specific policies.

We receive allegations through our hotline, email, and directly from NCUA and contractor personnel. We also receive complaints from credit union officials and their members regarding NCUA programs, employees, and contractors. We examine these complaints and determine if there is any indication of misconduct or wrongdoing by an NCUA employee or contractor. If not, we refer the complaint to the NCUA’s Office of Consumer Financial Protection (OCFP), the Office of General Counsel, or the appropriate regional office for response, or close the matter if contact with those offices indicates that the matter already was appropriately handled. Harassment allegations are addressed by the NCUA’s Office of Ethics Counsel and the Office of Minority and Women Inclusion (for EEO complaints).

During this reporting period, OI closed one investigation. We also continued to work on an investigation that we opened during a prior period. As the table below indicates, we did not refer any investigative subject for prosecution during the reporting period.

Investigative Activity/Reports Issued During the Reporting Period	Total Number
(A) Investigative reports issued during the reporting period	1
(B) Persons referred to the Department of Justice for criminal prosecution during the reporting period	0
(C) Persons referred to state and local prosecuting authorities for criminal prosecution during the reporting period	0
(D) Indictments and criminal information during the reporting period that resulted from any prior referral to prosecuting authorities	0



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With regard to the information provided in the table above, OI maintains a manual case tracking system. If investigative allegations involve a named suspect, then cases are designated and tracked by subject name. Cases referred to federal, state, or local prosecuting authorities for criminal prosecution are also designated, referred, and tracked by subject name, if known. In cases where the subject is unknown, OI uses a subject matter title to designate, track, and, as appropriate, refer cases.

Investigations

OI did not close any investigations involving a senior government employee during the reporting period. We closed an investigation involving an applicant who made false statements.

False Statements

During the previous reporting period, OI opened an investigation after receiving allegations that an NCUA applicant submitted altered Standard Form 50s (SF-50), Notices of Personnel Action, to the NCUA in order to qualify for two NCUA vacancy announcements. The investigation substantiated that the subject falsified the SF-50s and submitted the falsified documents to the NCUA. During the investigation, OI also determined the subject submitted altered SF-50s for over 100 applications on USAJOBS. The United States Attorney’s Office for the Eastern District of Virginia accepted the case for prosecution on February 12, 2022, but after further reviewing the evidence, informed OI on April 29, 2022, that it would not pursue charges. The subject was referred to the Office of Personnel Management for consideration for debarment from federal employment.

Whistleblower Retaliation

We did not receive any complaints of whistleblower retaliation during the reporting period.

Attempts to Interfere with IG Independence

There were no attempts on the part of management to interfere with IG independence, including restricting communications between the OIG and Congress or using budgetary constraints designed to limit the capabilities of the OIG. Moreover, there have been no incidents where the NCUA resisted or objected to OIG oversight activities. There have also been no restrictions or delays in our access to agency information.

OIG Hotline and FOIA Requests

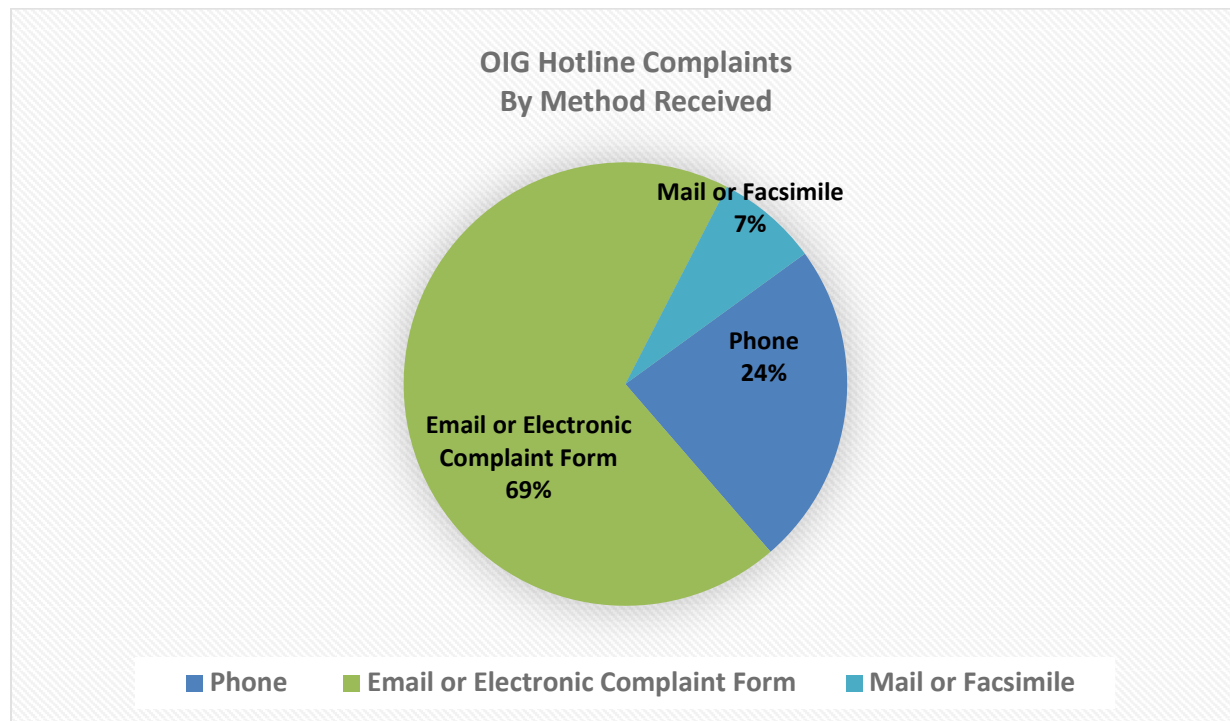
The OIG maintains a 24-hour toll free hotline to enable employees and citizens to call in and provide information about suspected fraud, waste, and abuse, or mismanagement involving agency programs or operations. Additionally, the OIG receives complaints from an off-site post office box, electronic mail, and facsimile messages. An electronic hotline complaint form is



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located on the NCUA intranet. The electronic form offers a means for confidential employee and contractor communication with the OIG. All information received from any of these sources is referred to as a hotline complaint. Our Office Manager, under the direction of the Director of Investigations, administers the OIG hotline program.

During this 6-month period, we processed 148 hotline complaints, the majority of which were from consumers seeking assistance with problems encountered within their respective credit unions. We referred most of these complaints to the OCFP’s Consumer Assistance Center for action. A small number of hotline complaints required additional action by OI to determine whether the matter warranted investigation by our office. OIG also responded to five Freedom of Information Act requests during the reporting period.



Complaints by Method Received	Number
Phone	35
Email or Electronic Hotline Complaint Form	102
Mail or Facsimile	11
Total:	148



Reviews of Legislation, Regulations, and Policies

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.

OIG reviewed the legislation and NCUA regulations and letters to credit unions that are listed below.

List of Legislation and NCUA Regulations and Letters Reviewed	
Legislation	Title
H.R. 7900	National Defense Authorization Act for 2023
H.R. 7003	Expanding Financial Access for Underserved Communities Act
H.R. 6889	Credit Union Board Modernization Act
H.R. 2471	Consolidated Appropriations Act, 2022
Regulations	Title
12 C.F.R. Parts 700, 701, 702, 708a, 708b, 750, 790	Asset Threshold for Determining the Appropriate Supervisory Office
12 C.F.R. Part 701	Succession Planning
12 C.F.R. Part 701	Federal Credit Union Bylaws
Letters to Credit Unions	Title
21-CU-06	NCUA to Begin Phase 2 of Resuming Onsite Operations
21-CU-07	Federally Insured Credit Union Use of Distributed Ledger Technologies
21-CU-08	Risk-Based Approach to Assessing Customer Relationships and Conducting Customer Due Diligence
22-CU-09	Updates to Interest Rate Risk Supervisory Framework
22-CU-10	Simplified CECL Tool for Credit Unions
22-CU-11	NCUA to Begin Phase 3 of Resuming Onsite Operations



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TABLE I: ISSUED REPORTS WITH QUESTIONED COSTS	Number of Reports	Questioned Costs	Unsupported Costs
(A) For which no management decision had been made by the start of the reporting period.	0	\$0	\$0
(B) Which were issued during the reporting period.	0	\$0	\$0
Subtotals (A + B)	0	\$0	\$0
(C) For which management decision was made during the reporting period.	0	\$0	\$0
(i) Dollar value of disallowed costs	0	\$0	\$0
(ii) Dollar value of costs not 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 6 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.



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TABLE II: 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.	0	\$0
(ii) Dollar value of recommendations not agreed to by management.	0	\$0
(D) For which no management decision was made by the end of the reporting period.	0	\$0
(E) For which no management decision was made within six months of issuance.	0	\$0

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 DURING THE REPORTING PERIOD		
Part I—Audit Reports Issued		
Report Number	Title	Date Issued
OIG-22-06	Audit of the NCUA’s Minority Depository Institutions Preservation Program (MDIPP)	09/08/22
Part II—Audits in Progress (as of September 30, 2022)		
Audit of the NCUA’s Continuity of Operations Program (COOP)		
Audit of the NCUA’s Contracting Officer’s Representative (COR) Program		
Audit of NCUA’s Bank Secrecy Act Enforcement		
FY 2022 Independent Evaluation of the NCUA’s Compliance with the Federal Information Security Modernization Act of 2014 (FISMA)		
NCUA 2022 Financial Statement Audits		
Audit of NCUA’s Quality Assurance Program (QA)		



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INDEX OF REPORTING REQUIREMENTS OF THE INSPECTOR GENERAL ACT OF 1978, AS AMENDED		
Section	Reporting Requirement	Page
4(a)(2)	Review of legislation and regulations	28
5(a)(1)	Significant problems, abuses, and deficiencies	16
5(a)(2)	Recommendations for corrective action made during the reporting period	20
5(a)(3)	Significant recommendations on which corrective action has not been completed	16
5(a)(4)	Matters referred to prosecutive authorities	25
5(a)(5)	Summary of instances where agency refused or failed to provide requested information	26
5(a)(6)	List of audit reports issued during the reporting period	31
5(a)(7)	Summary of significant reports issued during the reporting period	13
5(a)(8)	Statistical table on audit reports with questioned costs	29
5(a)(9)	Statistical table on audit reports with recommendations that funds be put to better use	30
5(a)(10)(A)	Summary of each audit report over six months old for which no management decision has been made	N/A
5(a)(10)(B)	Summary of each audit report over six months old for which no management comment was returned within 60 days	N/A
5(a)(10)(C)	Summary of each audit report over six months old for which there are unimplemented recommendations	17
5(a)(11)	Significant revised management decisions	N/A
5(a)(12)	Significant management decisions with which the OIG disagreed	N/A
5(a)(14)(A)(B)	Results of any peer review conducted during the reporting period, or if no peer review was conducted, a statement identifying the date of last peer review	24
5(a)(15)(16)	Peer reviews conducted by another OIG during the reporting period, and any outstanding recommendations from any current or prior peer review	24



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INDEX OF REPORTING REQUIREMENTS OF THE INSPECTOR GENERAL ACT OF 1978, AS AMENDED		
Section	Reporting Requirement	Page
5(a)(17)	Statistical table on investigative reports issued during the reporting period	25
5(a)(18)	Description of metrics used for developing the investigative report statistical table	25
5(a)(19)	Investigations conducted involving a senior Government employee	26
5(a)(20)	Detailed description of any instances of whistleblower retaliation	26
5(a)(21)	Detailed description of any attempt by the Agency to interfere with the independence of the Office	26
5(a)(22)(A)	Detailed description of any inspection, evaluation, and audit that was closed and was not disclosed to the public	N/A
5(a)(22)(B)	Detailed description of any investigation involving a senior Government employee that was closed and was not disclosed to the public	N/A



SYSTEM REVIEW REPORT



System Review Report

March 21, 2022

Mr. James W. Hagen
 Inspector General
 National Credit Union Administration
 Office of Inspector General
 775 Duke Street, Suite 4206
 Alexandria, VA 22314

We have reviewed the system of quality control for the audit organization of National Credit Union Administration (NCUA) Office of Inspector General (OIG) in effect for the year ending September 30, 2021. A system of quality control encompasses NCUA OIG’s organizational structure, the policies adopted and procedures established to provide it with reasonable assurance of conforming in all material respects with *Government Auditing Standards* and applicable legal and regulatory requirements. The elements of quality control are described in *Government Auditing Standards*.

In our opinion, the system of quality control for the audit organization of NCUA OIG in effect for the year ending September 30, 2021, has been suitably designed and complied with to provide NCUA OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements in all material respects.

Audit organizations can receive a rating of pass, pass with deficiencies, or fail. NCUA OIG has received an External Peer Review rating of pass.

Monitoring of GAGAS Engagements Performed by Independent Public Accountants

In addition to reviewing its system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) related to NCUA OIG’s monitoring of engagements conducted in accordance with generally accepted government auditing standards (GAGAS engagements) by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that monitoring of GAGAS engagements performed by IPAs is not an audit and, therefore, is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether NCUA OIG had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion;

Peace Corps Office of Inspector General

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April–September 30, 2022

accordingly, we do not express an opinion on NCUA OIG’s monitoring of work performed by IPAs.

Letter of Comment

We have issued a letter dated March 21, 2022, that sets forth a finding that was not considered to be of sufficient significance to affect our opinion expressed in this report.

Basis of Opinion

Our review was conducted in accordance with *Government Auditing Standards* and the *CIGIE Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*.

During our review, we communicated with NCUA OIG personnel and obtained an understanding of the nature of the NCUA OIG audit organization, and the design of NCUA OIG’s system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected GAGAS engagements and administrative files to test for conformity with professional standards and compliance with NCUA OIG’s system of quality control. The GAGAS engagements selected represented a reasonable cross-section of the NCUA OIG audit organization, with an emphasis on higher-risk engagements.

In performing our review, we obtained an understanding of the system of quality control for the NCUA OIG audit organization. In addition, we tested compliance with NCUA OIG’s quality control policies and procedures to the extent we considered appropriate. These tests covered the application of NCUA OIG’s policies and procedures on selected GAGAS engagements. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with NCUA OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion. Enclosure 1 to this report identifies the engagements we reviewed.

Responsibilities and Limitations

NCUA OIG is responsible for establishing and maintaining a system of quality control designed to provide NCUA OIG with reasonable assurance that the organization and its personnel comply in all material respects with professional standards and applicable legal and regulatory requirements. Our responsibility is to express an opinion on the design of the system of quality control and NCUA OIG’s compliance based on our review.

There are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and may not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

Peace Corps Office of Inspector General

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April 1–September 30, 2022

Sincerely,

A handwritten signature in blue ink that reads 'Joaquin Ferrao'.

Joaquin Ferrao
Acting Inspector General
Enclosures



Enclosure 1

Scope and Methodology

We tested compliance with NCUA OIG audit organization’s system of quality control to the extent we considered appropriate. These tests included a review of 2 of 2 engagements reports conducted in accordance with generally accepted government auditing standards (GAGAS engagement) issued from October 1, 2020, through September 30, 2021. We also reviewed the internal quality control reviews performed by NCUA OIG.

In addition, we reviewed NCUA OIG’s monitoring of GAGAS engagements performed by IPAs where the IPA served as the auditor from October 1, 2018, through September 30, 2021. During the period, NCUA OIG contracted for the audit of its agency’s fiscal year 2020 financial statements. NCUA OIG also contracted for other GAGAS engagements that were performed in accordance with *Government Auditing Standards*.

Due to the ongoing COVID-19 pandemic and mandatory telework for NCUA OIG, we conducted this peer review virtually.

Reviewed GAGAS Engagements Performed by NCUA OIG

Report No.	Report Date	Report Title
OIG-21-06	09/28/2021	Audit of NCUA’s Governance of Information Technology Initiatives
OIG-21-01	02/09/2021	Audit of NCUA’s Consumer Complaint Program

Reviewed Monitoring Files of NCUA OIG for Contracted GAGAS Engagements

Report No.	Report Date	Report Title
OIG-21-02/03/04/05	02/16/2021	NCUA’s 2020 Financial Statement Audits for the Share Insurance Fund, Operating Fund, Central Liquidity Facility, and Community Development Revolving Loan Fund



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National Credit Union Administration

Enclosure 2

Office of Inspector General

March 15, 2022

Joaquin Ferrao
Acting Inspector General
Peace Corps Office of Inspector General
Washington, D.C. 20526

Subject: System Review Report of the National Credit Union Administration Office of Inspector General Audit Organization

Dear Mr. Ferrao:

We appreciate the work conducted by your staff in reviewing the quality control process for the audit function at the National Credit Union Administration Office of Inspector General. We agree with your opinion that the system of quality control for the audit function has been suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with professional standards and applicable legal and regulatory requirements in all material aspects. We have no additional comments on the final System Review draft report provided. Thank you for your efforts in completing this review.

Sincerely,

A handwritten signature in black ink, appearing to read "James W. Hagen".

James W. Hagen
Inspector General