

NATIONAL CREDIT UNION ADMINISTRATION
OFFICE OF INSPECTOR GENERAL



2005 ANNUAL
PERFORMANCE PLAN

OVERVIEW

The National Credit Union Administration (NCUA) Office of Inspector General (OIG) Annual Performance Plan for 2005 delineates those audits that would most benefit the NCUA. In formulating this Plan, we considered:

- The agency's strategic and annual performance plans;
- Pertinent legislation, including the Federal Credit Union Act, the Government Performance Results Act (GPRA), the Credit Union Membership Act, Federal Information Security Management Act (FISMA), the Sarbanes-Oxley Act, and the Inspector General Act;
- Congressional activity and testimony by NCUA officials as well as significant areas of interest to NCUA Board members and the Congress;
- Audits planned and performed by the General Accounting Office (GAO);
- Input obtained from the NCUA Board and Executive staff; and
- NCUA and the credit union industry's operating environment.

How the Annual Plan was formulated

The NCUA OIG plans its work to identify and respond to issues that are of greatest importance to NCUA. For purposes of the Annual Plan, we have identified prospective audit and investigative work that is responsive to NCUA's strategic goals (see table).

2005 Strategic Goals¹
<i>Strategic Goal 1</i> A financially healthy credit union system.
<i>Strategic Goal 2</i> A technologically safe and secure credit union system.
<i>Strategic Goal 3</i> A safe, sound and facilitative regulatory environment.
<i>Strategic Goal 4</i> Reasonable access to financial services for Americans of all walks of life.
<i>Strategic Goal 5</i> Enhanced organizational efficiency and effectiveness.

¹ Source: NCUA Combined Annual Performance Report 2003 and Initial Annual Performance Plan 2005.

In preparing our 2005 Performance Plan, we identified several audits that address the agency's strategic goals. Due to our resource limitations, we considered each of these audits and determined which ones should form the basis of our work over the next year (See Appendix C). Criteria considered in the prioritization process included such factors as importance to the NCUA mission as well as NCUA Board and Congressional interest.

Resources

The OIG staff is currently composed of 8 positions (7.55 FTEs) including the Inspector General. In addition, we rely upon contractors to augment our resources. For example, we use independent contracting firms to assist with our financial statement audits and the annual independent evaluation as required by the Federal Information Security Management Act (FISMA).

In addition to the financial statement audits and evaluation under FISMA, we use contracting dollars for short term, non-recurring projects. In 2005, our contracting budget is approximately \$300,000.

Audits that cannot be accomplished in 2005 will be deferred to 2006.

The following appendices are included in our 2005 plan:

- Appendix A: 2005 Planned Audits and Surveys
- Appendix B: 2005 Legal Projects and Investigative Work
- Appendix C: Summary of Audits/Surveys planned for 2005

Appendix A

2005 Planned Audits & Surveys

Review of NCUA's Federally Insured State Chartered Credit Union Program (carry over from 2004)

Objective: To determine if NCUA's process for determining and managing the risk that federally insured state chartered credit unions pose to the Share Insurance Fund is adequate.

Financial Statements Audits (4)

Objective: To determine if the four funds that the agency administers are in compliance with GAAP and if their statements present fairly their financial position, results of operations and changes in cash flows. These audits are conducted under contract with an independent public accounting firm.

Federal Information Security Management Act

Objective: To determine if NCUA is in compliance with the Federal Information Security Management Act. This annual independent evaluation is required by the Act. In addition, the OIG prepares an annual report to OMB characterizing NCUA's information security management program.

Material Loss Reviews (as necessary)

Objective: The Federal Credit Union Act requires the NCUA Inspector General to review and report on any credit union material losses exceeding \$10 million and an amount equal to 10% of the total assets of the credit union. The purpose of such reviews is to determine the underlying problem which resulted in the material loss to the insurance fund and make recommendations for preventing any such loss in the future.

Congressional/NCUA Board Requests (as necessary)

Objective: To be responsive to requests received from the Congress or the NCUA Board for OIG services.

Other External Requirements

Objective: Other external requirements include, for example, the OIG's required verification of FACTS data to support the US Government's Consolidated Financial Statements; verification of NCUA's closing package to support the September 30 year-end US Government Consolidated Financial Statements; and requested assistance to GSA to verify payroll accounts.

Share Insurance Fund Loss Analysis

Preliminary Objective: To determine how the agency calculates and reports losses to the Share Insurance Fund and how the agency uses the loss statistics.

NCUA Risk Based Exam Scheduling Program

Preliminary Objective: To determine if NCUA Regional Offices are scheduling federal credit unions for examination in accordance with national guidance.

Risk Focused Examination Process

Preliminary Objective: Evaluate NCUA's program to determine if it is effective in identifying and addressing high risk areas.

Information Systems and Technology Program

Preliminary Objective: To determine the effectiveness and efficiency of NCUA's examination of credit union electronic financial services. This is the first phase of a multi-phased audit.

Appendix B

2005 Legal Projects and Investigative Work

2005 LEGAL ACTIVITIES

General legal support
Administrative/personnel legal work
Investigative assistance & support
Audit assistance & support
Legislation/regulation review

2005 INVESTIGATIONS

Formal investigations
Preliminary/informal investigations
Proactive reviews and/or investigations

2005 TRAINING

Regional staff & integrity awareness training
New supervisor training
Continued briefings on revised instruction, Guidelines and Responsibilities for Reporting Investigative Matters to the Inspector General, 01910.08

Appendix C

Summary of Audits/Surveys Planned for 2005

2005 PROJECTS

Audits/Surveys:

- Federally Insured State Chartered Credit Unions (carry over from 2004)
- Financial Statement Audits (4)
- Federal Information Security Management Act 2005
- Material Loss Reviews (as necessary)
- Congressional/NCUA Board Requests (as necessary)
- Share Insurance Fund Loss Analysis
- Risk Based Exam Scheduling
- Risk Focused Examination Process
- Electronic Financial Services / Information Systems & Technology Program