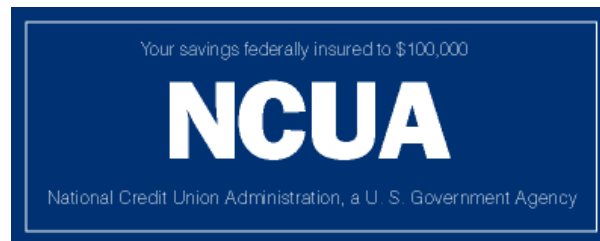


**NATIONAL CREDIT UNION ADMINISTRATION
OFFICE OF INSPECTOR GENERAL**

**Semiannual Report
to the Congress**

October 1, 2004 – March 31, 2005





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

I am pleased to transmit to the NCUA Board and the Congress the Office of Inspector General's (OIG) Semiannual Report for the period October 1, 2004 through March 31, 2005. This will be my first report since the NCUA Board selected me as Inspector General on April 8, 2005.

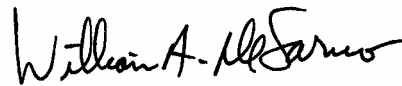
I have a vision for the OIG as we embark on this new chapter. My vision is to make the OIG an integral, yet independent part of the organization. I believe that the NCUA and the OIG share a common goal – the successful accomplishment of the agency's mission. We will support the NCUA's mission of monitoring and promoting safe and sound federally insured credit unions by conducting independent audits, investigations, and other activities, and by keeping the Board and Congress fully and currently informed of our work.

During this past reporting period, the OIG issued its report on the King Street Station Parking Garage, of which the NCUA is one of five owners. Our report made 13 recommendations to assist the NCUA in its oversight and monitoring of parking garage operations. The NCUA has already appointed a contracting officer's technical representative to administer and monitor the parking garage contract. We issued an audit memorandum containing our analysis of a referral from the field alleging that preventive controls in the credit union call report process may have been circumvented. In addition, the financial audit report for the year ending December 31, 2004, rendered unqualified opinions for each of the NCUA's four financial funds. Also during this period, we issued our draft report for comment on the NCUA's Process for Reviewing Federally Insured State Chartered Credit Unions.

On the investigative side, we continue to work to provide objective and independent investigations and to work to detect and prevent illegal and/or improper activities involving NCUA programs, operations, and personnel. During this reporting period we closed a proactive investigation into employee misuse of government-issued computers to access and view internet pornography. We also closed several other investigations and inquiries involving issues such as: sexual harassment; false allegations; false statements; and misuse of funds.

I wish to express my appreciation to the NCUA Board, as well as to the senior management of the agency, for their support over the past six months to the mission of this Office. I also want to express my appreciation for the accomplishments and support of all OIG employees and commend them for their continued professionalism, dedication, and willingness to accept new challenges as we move forward under new leadership.

I would like to close by reiterating that the OIG is committed to continuing to promote effective working relationships with the Board and agency managers and helping the NCUA accomplish its mission in the challenging years ahead.



William A. DeSarno
Inspector General

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MISSION STATEMENTS

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

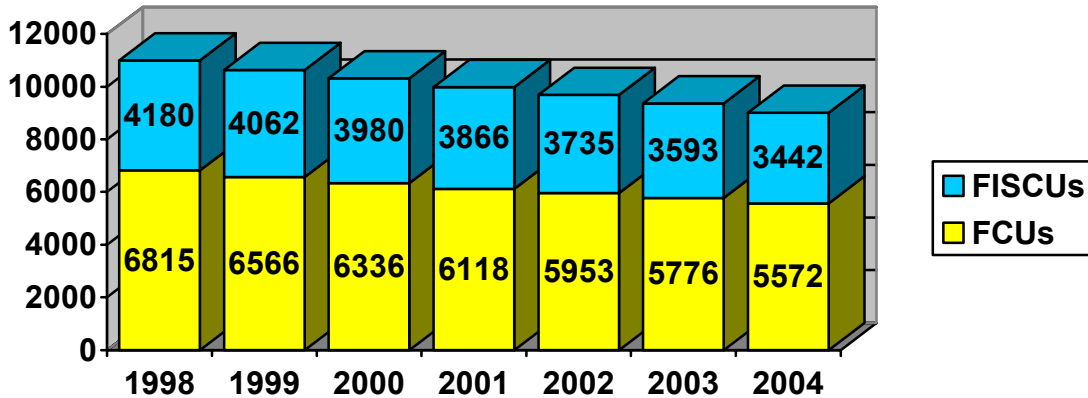
The OIG promotes the economy, efficiency, and effectiveness of NCUA programs and operations, and detects and deters fraud, waste, and abuse, thereby supporting the NCUA's mission of monitoring and promoting safe and sound federally insured credit unions.

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, 2004, the NCUA was supervising and insuring 5,572 federal credit unions and insuring 3,442 state-chartered credit unions, a total of 9,014 institutions. This represents a loss of 204 federal and 151 state-chartered institutions since December 31, 2003, for a total loss of 355 credit unions nationwide.

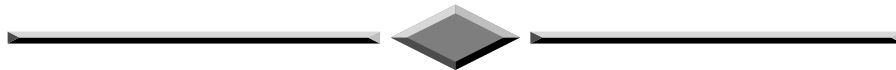
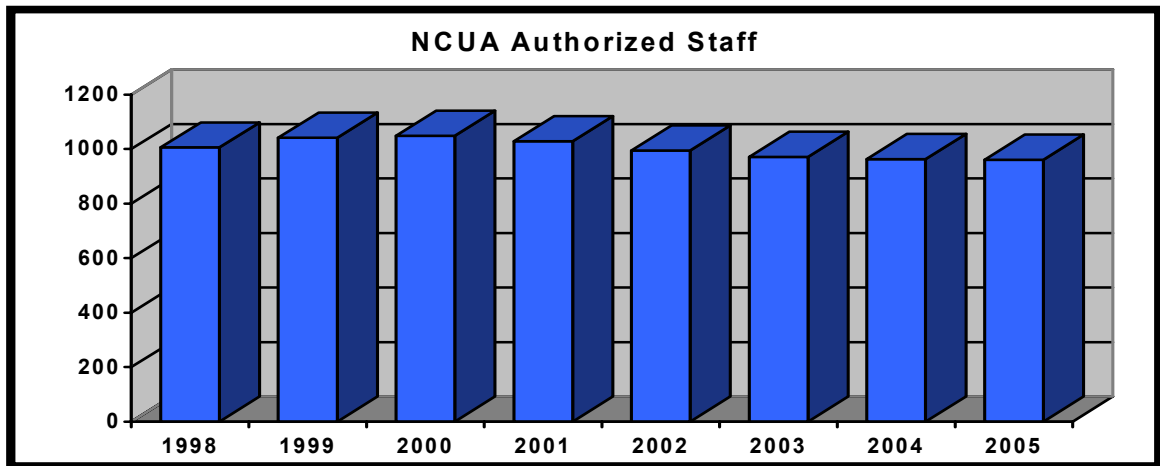
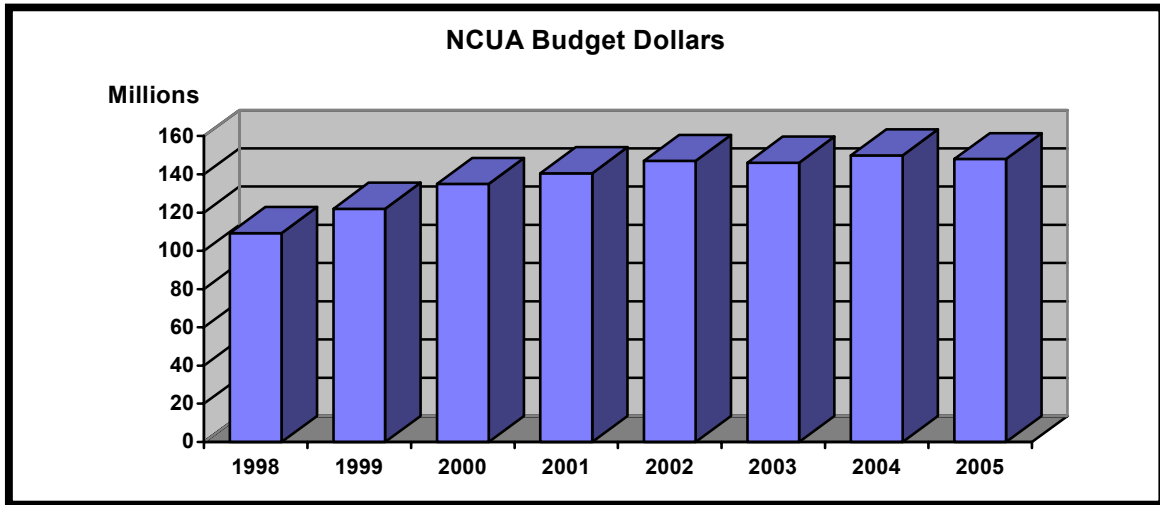
Federally Insured Credit Unions



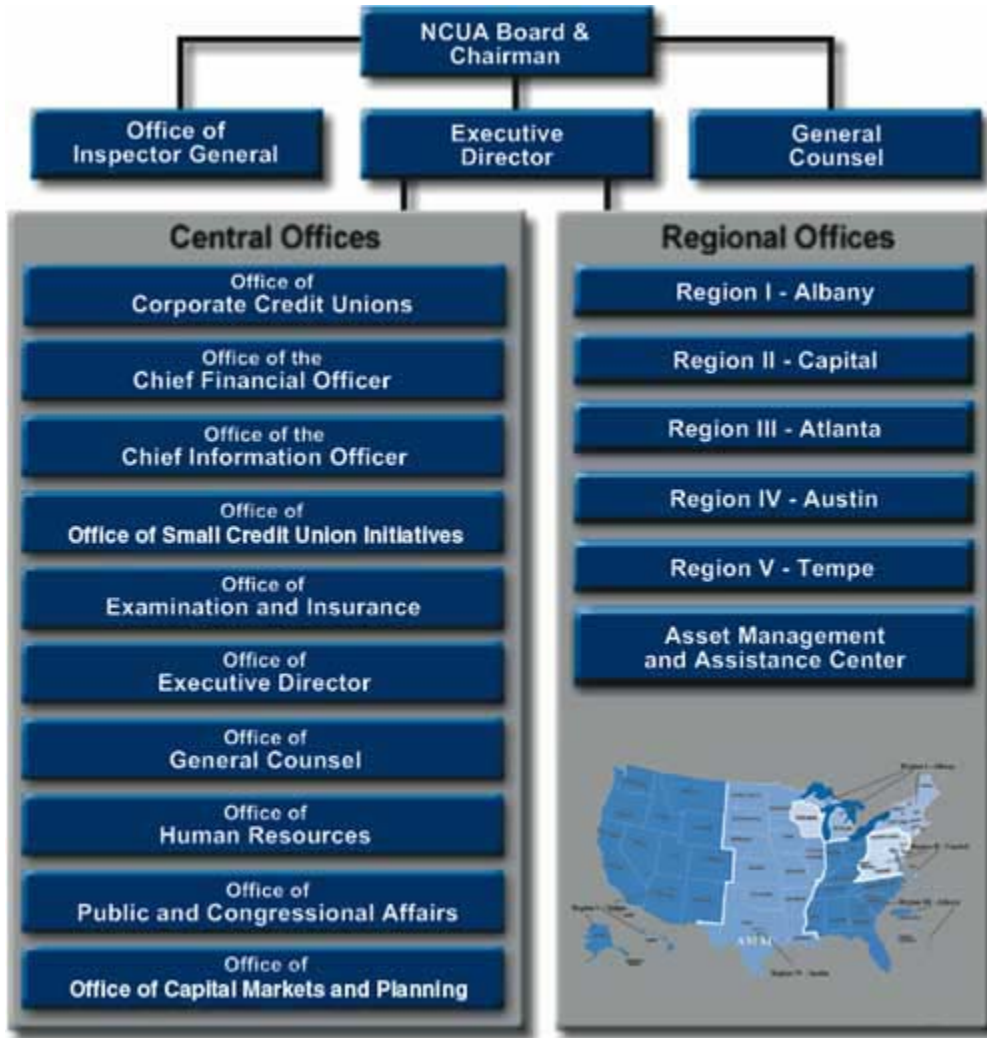
The NCUA operates under the direction of a Board composed of three members. Board members are appointed by the President and confirmed by the Senate. They serve six-year terms. Terms are staggered, so that one term expires every two years. The Board is responsible for the management of the National Credit Union Administration, including the NCUA Operating Fund, the Share Insurance Fund, the Central Liquidity Facility, and the Community Development Revolving Loan Fund.

The National Credit Union Administration executes its program through its central office in Alexandria, Virginia and regional offices in Albany, New York; Alexandria, Virginia; Atlanta, Georgia; Austin, Texas; and Tempe, Arizona. The NCUA also operates the Asset Management and Assistance Center (AMAC) in Austin, Texas. Please refer to the NCUA organizational chart on page 4.

The NCUA Board adopted its 2005 budget of \$147,996,144 on November 18, 2004. The Full-Time Equivalent (FTE) staffing authorization for 2005 is 961, a reduction of 2 positions over the 2004 total of 963.



NCUA ORGANIZATION CHART



NCUA HIGHLIGHTS

NCUA BOARD NAMES WILLIAM DESARNO INSPECTOR GENERAL

On April 8, 2005, the NCUA Board selected William DeSarno as the NCUA's Inspector General. Mr. DeSarno had been serving as the Acting Inspector General since December 2004. DeSarno began his NCUA career in 1997 as the Assistant Inspector General for Audits. He was named Deputy Inspector General in 2001. Prior to joining the NCUA, DeSarno served seven years with the Department of Treasury's OIG and 18 years with the General Accounting Office. He has over 14 years management experience in the inspector general field and over 20 years experience supervising auditors. His federal service began with the Army, where he served in Vietnam. Overall, his government career spans over 36 years.

NCUA CHAIRMAN JOANN JOHNSON PROPOSES PROMPT CORRECTIVE ACTION REFORM

Chairman JoAnn Johnson released a draft report, Prompt Corrective Action Proposal for Reform, dated February 23, 2005, recommending statutory changes, including the NCUA's design for a new risk-based system for federally insured credit unions. The proposed changes are designed to achieve comparability with the capital standards for FDIC-insured institutions by eliminating disparate differences in the standards. Overall, the NCUA is recommending a more risk-based PCA system for federally insured credit unions that, if adopted, would result in a more robust, yet not unduly burdensome or constraining PCA system.

NCUA BOARD MEMBER MATZ URGES CREDIT UNIONS TO KNOCK OUT PREDATORY LENDERS

NCUA Board Member Deborah Matz spoke to 4,000 conferees at the Credit Union National Association's Governmental Affairs Conference on March 1, 2005, suggesting that credit unions "look beyond banks and challenge other, perhaps more menacing, opponents—predatory lenders." Matz pointed to credit unions that are offering alternatives to predatory lending, and demonstrated how credit unions benefit from offering innovative alternatives. She further noted several credit unions that have increased membership by 20-30% after reaching out to underserved consumers.

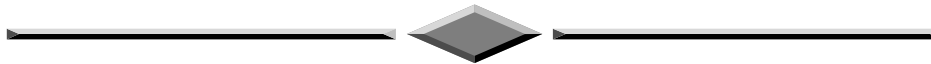
CREDIT UNION CONVERSION RULE FINALIZED

At a Board meeting on January 13, 2005, the NCUA finalized a rule providing that before a conversion vote takes place, credit unions seeking to convert to mutual savings banks must provide their members disclosures statements drafted by the agency. The four disclosures caution credit union members that converting to the mutual thrift charter

could dilute their voting rights and might lead to a further conversion, from mutual to stock ownership, and ultimately to the institution's outright sale. NCUA Chairman Johnson said the rule would "call to each member's attention critical attention needed to understand the conversion."

NCUA JOINS FEDERAL BANK REGULATORY AGENCIES IN ISSUING GUIDANCE ON OVERDRAFT PROTECTION PROGRAMS

On February 18, 2005, the NCUA joined federal bank regulatory agencies in issuing joint final guidance to assist insured depository institutions in the disclosure and administration of overdraft protection programs. The final joint guidance contains three primary sections: Safety and Soundness Considerations; Legal Risks; and Best Practices. The guidance is being issued by the Federal Reserve Board, the Federal Deposit Insurance Corporation, the NCUA, and the Office of the Comptroller of the Currency.



FEDERALLY INSURED CREDIT UNION HIGHLIGHTS

Credit unions submit quarterly call reports (financial and operational data) to NCUA. An NCUA staff assessment of the December 31, 2004, quarterly call reports submitted by all federally insured credit unions found that virtually all key financial indicators were stable.

KEY FINANCIAL INDICATORS STABLE

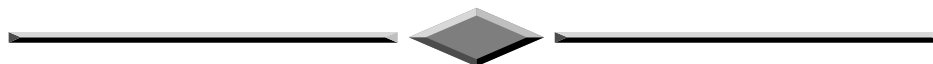
Looking at the December 31, 2004 quarterly statistics for major balance sheet items and key ratios shows the following for the nation's 9,014 federally insured credit unions: assets grew 6.0 percent, or \$36.9 billion; net worth to assets ratio increased from 10.7 to 11.0 percent; the loan to share ratio increased from 71.2 percent to 74.5 percent; the delinquency ratio decreased from .76 to .72 percent; and credit union return on average assets decreased from .99 percent to .92 percent.

SAVINGS INCREASED

Total share accounts increased 5.3 percent, or \$27.8 billion. Regular shares comprise 36 percent of total share accounts; share certificates comprise 23 percent; money market shares comprise 18 percent; share draft accounts comprise 13 percent; and 10 percent is in other share accounts.

LOANS AND INVESTMENTS ALSO INCREASED

Loan growth of 10.13 percent resulted in an increase in total loans by \$38.1 billion. First mortgage real estate loans increased 10.4 percent; used auto loans increased 4.2 percent; other real estate loans increased 23.8 percent; unsecured credit card loans increased 3.5 percent; all other unsecured loans increased .3 percent; new auto loans increased 11.8 percent; and all other loans increased 11.3 percent. First mortgage real estate loans are the largest single asset category with \$129.8 billion accounting for 31 percent of all loans. Total investments decreased \$1.1 billion or .7 percent. Investments with maturities less than one year account for 48.27 percent of all credit union investments.



LEGISLATIVE HIGHLIGHTS

BANKRUPTCY BILL REFERENCES FEDERAL CREDIT UNION ACT

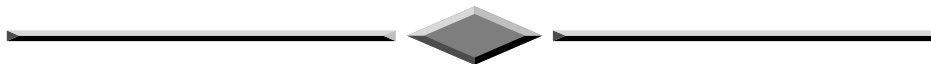
After passage by the House and Senate in recent weeks, S-256, the “Bankruptcy Abuse Prevention and Consumer Protection Act of 2005” has been sent to President Bush who reportedly plans to sign it shortly. Title IX of both the House and Senate bills in the 109th Congress now make the appropriate references to the Federal Credit Union Act (FCU Act) as a result of an NCUA amendment offered and accepted on the House floor in the 108th Congress (in 2003) by former Representative Patrick Toomey (R-PA) and Representative Brad Sherman (D-CA) that revised the legislation with respect to the termination and netting of financial contracts for federally insured credit unions. That bill, HR 975, was re-introduced as passed by the House in the 108th Congress in both the House and Senate in the 109th Congress as S. 256 and HR 685.

HOUSE PANEL APPROVES CREDIT UNION MEASURE

On a voice vote, the House Financial Services Committee on March 16, 2005, approved the bipartisan “Expanded Access to Financial Services Act of 2005” that would authorize federally chartered credit unions to provide international remittances, domestic wire transfers, and check-cashing services to nonmembers eligible for membership. Rep. Brad Sherman (D-CA) and Rep. Jim Gerlach (R.-PA) sponsored the bill, which is identical to a bill introduced in 2003 by Rep. Doug Ose, a California Republican who retired last year.

CONGRESSMEN INTRODUCE BILL PRESERVING CREDIT UNION CAPITAL IN MERGERS

On March 2, 2005, Rep. Spencer Bachus (R-AL) and Bernard Sanders (I-VT), along with a number of other Congressmen, introduced H.R. 1042, the “Net Worth Amendment for Credit Unions Act.” The legislation would amend the FCU Act to provide for continued recognition of premerger “retained earnings” should the Financial Accounting Standards Board (FASB) eliminate the current “pooling method” and begin requiring an “acquisition method” of accounting for mergers by mid-2006. Chairman Johnson testified on this issue on April 13, 2005, before the House Financial Institutions and Consumer Credit Subcommittee.

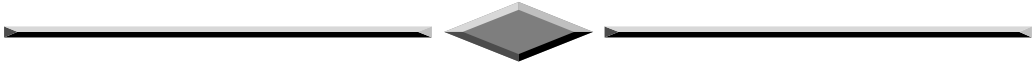
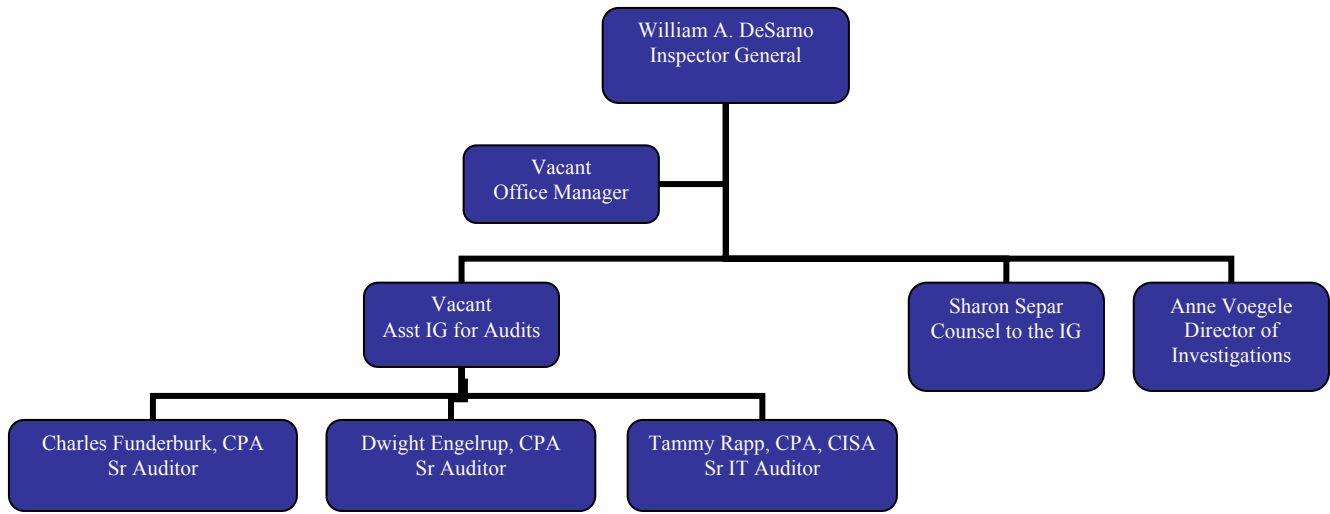


OFFICE OF THE INSPECTOR GENERAL

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, Assistant Inspector General for Audits, Counsel to the Inspector General, Director of Investigations, two Senior Auditors, Senior Information Technology Auditor, and Office Manager.

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

1. Conducting, supervising, and coordinating audits and investigations of all NCUA programs and operations;
2. Reviewing policies and procedures to ensure efficient and economic operations as well as preventing and detecting fraud, waste, and abuse;
3. Reviewing existing and proposed legislation and regulations to evaluate their impact on the economic and efficient administration of agency programs; and
4. Keeping the NCUA Board and the Congress apprised of significant findings and recommendations.



AUDIT ACTIVITY

AUDIT REPORTS ISSUED

Review of The King Street Station Parking Garage
OIG-04-07 December 8, 2004

The King Street Station complex consists of four office buildings, a hotel and retail/restaurant building. The National Credit Union Administration, as one of five owners, is entitled to one vote on matters pertaining to the parking garage operation. Net income resulting from parking garage revenue is divided among the five complex owners according to the percentage of parking garage space owned by each. These interests range from a low of 3.54 percent to a high of 32.72 percent, the latter representing the NCUA's share. As the party with the largest ownership interest in the parking garage, the NCUA has a greater financial incentive to assume a leadership role in negotiating any changes to or improvements of the parking garage operations.

The NCUA Chief Financial Officer had expressed concern to the Inspector General that revenue reports for the parking garage had shown a declining net income trend for the previous five years. In response to this concern and because the OIG had never reviewed or audited the parking garage operations, we decided to conduct this audit. Our four main objectives were to (1) determine whether the Office of the Chief Financial Officer's (OCFO) identification of a declining income trend for parking garage revenue was valid; (2) assess internal controls over the parking garage income and expenses; (3) determine whether the NCUA received its correct share of parking garage net income during the period covered by the audit; and (4) review the reasonableness and current applicability of the parking garage contracts and agreements.

The OCFO performed and provided to us some basic analyses suggesting an alarming decline in parking garage net income since 1998. Our review and analysis supported a declining trend, but demonstrated a flatter, less dramatic decline in garage net income than reported by the OCFO.

We found that weak NCUA internal controls and inadequate oversight of the garage operator's financial reporting unnecessarily exposed the NCUA to potential fraud, waste, and abuse. Because of the garage operator's inconsistent and incomplete reporting, it was not possible to identify the dollar amount of revenue, if any, that went either uncollected or was not properly remitted to the NCUA.

Our review of the income and expense reports provided during the course of this audit indicated that the NCUA had been receiving its correct share of reported parking garage income. However, we were unable to conclude that this determination was reliable because of the internal control weaknesses noted in the report.

The contract terms we reviewed relating to the King Street Station Parking Garage appeared reasonable. However, there were some contractual areas which should be addressed to clarify garage operating practices and/or to reduce risk exposure to the NCUA and the other parking garage owners.

The report presented 13 recommendations to assist the NCUA in its oversight and monitoring of parking garage operations. In general, the NCUA needs to view and treat the parking garage operation as a financial business entity, exercising the same due diligence and management oversight as it does over its other financial entities. The key recommendation presented in this report is for the NCUA to officially designate a qualified contracting officer's technical representative (COTR), with the appropriate financial expertise, to administer and monitor the parking garage contract. In responding to a draft of this report, the NCUA's Chief Financial Officer informed us that he had already appointed the Deputy Financial Officer in OCFO's Division of Financial Control as the COTR for this contract.

Audit Memorandum: Analysis of Region V 5300 Call Report Referral
OIG-05-01 January 10, 2005

The NCUA's Region V Director requested that the OIG look into a matter involving a specific 5300 call report. Specifically, Region V was concerned about 5300 edit checks that may have been overridden by an examiner and whether this might have occurred with other call reports. The objective of our work was to determine whether a preventive control in the 5300 call report upload process was circumvented and if this represented a systemic problem.

Our review of historical documentation showed the examiner attempted to upload at least five call reports for one credit union during the June 2004, call report cycle. Our review of the documentation and interviews of key staff also indicated that all but two of these uploads were rejected by the server. The first call report accepted by the server on July 25, 2004, appeared to represent March 2004, data with some adjustments. Although the file did not accurately reflect June 2004, data, it was in the correct format and appeared reasonable. The last call report accepted by the server on July 30, 2004, represented the credit union's June 2004, data.

We concluded that controls were effective and prevented 5300 data from being accepted by the server that was in an unacceptable format. Although there were multiple attempts to upload 5300 data, the server rejected all but two. Although the data was an estimate, the first successful upload represented data in the correct format. The second upload that was accepted by the server represented actual data in the correct format. In addition to the server rejecting data in an unacceptable format, additional controls notified the OCIO that there was a problem with this credit union's 5300 call report transmission by their examiner.

Our report suggested that the NCUA consider whether data modified outside of the 5300 program poses a material risk to 5300 data integrity. If the NCUA determines the risk is significant, steps should be taken to determine the best solution for preserving data integrity and preventing modification outside of the program.

NCUA Financial Statement Audits, dated March 15, 2005

Our contract accounting firm, Deloitte & Touche LLP, issued opinions on the 2004 financial statements of the National Credit Union Administration Operating Fund, National Credit Union Share Insurance Fund, the Central Liquidity Facility, and the Community Development Revolving Loan Fund. The auditors found that the financial statements presented fairly the financial position of the agency's funds as of December 31, 2004. The firm issued its opinions on March 15, 2005.

The NCUA Operating Fund (OIG-05-02) was established as a revolving fund managed by the NCUA Board for the purpose of providing administration and service to the federal credit union system. The auditors issued an **unqualified opinion** on the Operating Fund's financial statements. The Funds total assets for 2004 were \$55.8 million, down from \$64.4 million in 2003.

The National Credit Union Share Insurance Fund (OIG-05-03) was established as a revolving fund managed by the NCUA Board to insure member share deposits in all Federal credit unions and qualifying state credit unions up to \$100,000 per shareholder account. The auditors issued an **unqualified opinion** on the Share Insurance Fund's financial statements. The Fund's total assets for 2004 were \$6.4 billion, up from \$6.2 billion in 2003.

The Central Liquidity Facility (OIG-05-04) was established as a mixed ownership government corporation managed by the NCUA Board to improve general financial stability by meeting the liquidity needs of credit unions. The auditors issued an **unqualified opinion** on the CLF's financial statements. The CLF's total assets for 2004 were \$1.4 billion, up from \$1.2 billion in 2003.

The Community Development Revolving Loan Fund's (OIG-05-05) purpose is to stimulate economic activities in the communities served by low-income credit unions. This in turn will result in increased income, ownership and employment opportunities for low-wealth residents and other economic growth. The auditors issued an **unqualified opinion** on the Fund's financial statements. The CDRLF's total assets for 2004 were \$15.1 million, up from \$14.3 million in 2003.

The financial auditors did not find any matters considered to be *material* weaknesses in their review of the Funds' internal control structures pertinent to financial reporting. However, during the performance of the audit, several observations and recommendations were presented relating to internal control over financial reporting, and certain other accounting, administrative, and operating matters.

AUDITS IN PROGRESS

Review of the NCUA’s Process for Reviewing Federally Insured State Chartered Credit Unions

This review will determine the adequacy of the NCUA’s process for determining and managing the risk that federally insured state chartered credit unions pose to the share insurance fund. Our three review objectives are to: (1) determine whether the NCUA process for determining and managing the risk that federally insured state chartered credit unions pose to the share insurance fund is adequate; (2) determine whether the NCUA varies its approach depending on the level of risk posed by the credit unions in a particular state; and (3) determine whether the NCUA performs formal reviews of all SSA examination reports and how the agency handles identified problems.

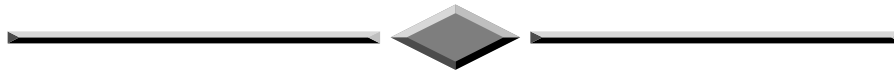
We have completed our review work and submitted a draft report to the NCUA, the National Association of State Credit Union Supervisors, and selected State Supervisory Authorities for comment.

Audit Survey of the National Credit Union Share Insurance Fund

The NCUA reports annually on losses to the share insurance fund. The objective of this survey is to assess the accuracy and reliability of reported insurance fund losses. At the completion of this survey, we will decide whether or not to proceed with a formal audit.

SIGNIFICANT AUDIT RECOMMENDATIONS ON WHICH CORRECTIVE ACTION HAS NOT BEEN COMPLETED

As of March 31, 2005, there were no significant audit recommendations on reports issued over six months ago that have not been either fully implemented or in the process of implementation.



INVESTIGATIVE ACTIVITY

In accordance with professional standards and guidelines established by the Department of Justice, the OIG performs investigations of criminal, civil, and administrative wrongdoing involving agency programs and personnel. Our investigative program focuses on activities designed to promote economy, effectiveness, and efficiency, as well as fighting fraud, waste, and abuse in agency programs. In addition to our efforts to deter misconduct and promote integrity awareness among agency employees, we investigate referrals and direct reports of employee misconduct. Investigations may involve possible violations of regulations regarding employee responsibilities and conduct, Federal criminal law, and other statutes and regulations pertaining to the activities of NCUA employees.

Moreover, we receive complaints from credit union members and officials that involve NCUA employee program responsibilities. We examine these complaints to determine whether there is any indication of NCUA employee misconduct. If not, we refer the complaint to the appropriate regional office for response, or close the matter if contact with the regional office indicates that the complaint has already been appropriately handled. Our investigations staff also handles the OIG Hotline for employees, contractors, and others to report allegations of fraud, waste, abuse, and mismanagement via a toll-free number, U.S. mail, or electronic mail.

During the last reporting period, the OIG reported on a completed proactive review of potential employee misuse of government-issued computers to access and view internet pornography. The review revealed that several employees were accessing internet pornography websites. The OIG opened five individual cases. In our last semi-annual report, we reported that one individual retired immediately as a result of the investigation, but as of the end of the last reporting period, the agency was still considering action in the other four cases. Of those remaining cases, one resulted in no formal action; one in a letter of reprimand; one in a two day suspension; and in one case the employee resigned after termination was proposed.

Investigative Operations	
Matters/inquiries/investigations carried forward from previous reporting period	6
Matters initiated during reporting period	2
Matters closed	5
Investigative reports issued	2

Investigative Subpoenas issued	2
Matters referred back to the agency	1
Management Implication Reports issued	0
Matters remaining open	3

CLOSED INVESTIGATIONS

During this reporting period, we closed five (5) matters.

One investigation involved allegations of sexual harassment lodged against an NCUA examiner by two credit union employees, and counter allegations by the examiner that the credit union’s CEO, whom the examiner had suspected of bankruptcy fraud and other illegal actions, had attempted to bribe him with an offer of employment, and, failing that, had suborned false allegations against him. The OIG investigation developed considerable evidence regarding the credit union’s CEO which was reported to the Department of Justice. The investigation was unable to conclusively prove or refute the allegations of sexual harassment made against the examiner.

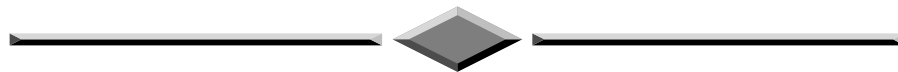
One investigation involved allegations made against an NCUA examiner by a credit union official for having made an inflammatory and inappropriate statement during a meeting with credit union officials. Based on interviews with witnesses and a review of a tape recording of the meeting, the OIG determined no wrongdoing on the part of the examiner.

One investigation involved allegations made by another government agency that an NCUA examiner had made false statements and misused government funds. The investigation found no wrongdoing on the part of the examiner. The investigation was closed to the file.

The OIG completed a review of the agency’s home purchase and relocation program.

The OIG closed to file one matter concerning a possible privacy act violation.

During this reporting period, we received one (1) referral for investigation which was declined for investigation and returned to the agency for appropriate action.



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 17 items, including proposed and final changes to legislation and regulations and an NCUA Instruction. The OIG had no comments on the items reviewed.

SUMMARY OF STATUTES AND REGULATIONS REVIEWED	
Legislation	Title
Section 522	“Consolidated Appropriations Act of 2005”
H.R. 1042	“Net Worth Amendment for Credit Unions Act”
S. 394	“Openness Promotes Effectiveness in Our National Government Act of 2005”
S. 2845 (Pub. L. No. 108-458).	“Intelligence Reform and Terrorism Prevention Act”
P.L. No. 108-277	“Law Enforcement Officers Safety Act of 2004”
Regulations/Rulings	Title
12 CFR Part 701	Proposed and Final Rule: “Loans to Members and Lines of Credit to Members”
12 CFR Section 701.21(c)(7)(ii)(C)	Final Rule: “Loan Interest Rates”
12 CFR Part 708a	Proposed and Final Rule: “Conversion of Credit Unions to Mutual Savings Banks (MSB)”
12 CFR Part 708b	Draft Final and Final Rule: “Mergers of Federally-Insured Credit Unions; Voluntary Termination or Conversion of Insured Status”
12 CFR Part 712	Proposed Rule: “Audit Requirement for Credit Union Service Organizations (CUSOs)”
12 CFR Parts 717, 748	Final Rule: “Fair Credit Reporting—Proper Disposal of Consumer Information under the Fair and Accurate Credit Transactions Act of 2003”
12 CFR Part 723	Proposed Rule with Request for Comments: “Member Business Loans”

5 CFR Part 550	Interim Rule with Request for Comments: “Pay Administration” (Travel Compensatory Time)
NCUA Instruction No. 5001.06	Bank Secrecy Act Compliance
	NCUA Office of General Counsel 2004 Regulation Review
(69 Fed. Reg. 41202)	Summary of Comments: “Economic Growth and Regulatory Paperwork Reduction Act Notice (EGRPRA)”
	Summary of comments: Federal Credit Union Bylaws

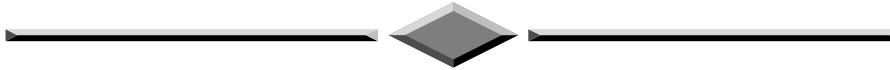


TABLE I

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	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 disallowed	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

<p align="center">SUMMARY OF OIG ACTIVITY OCTOBER 1, 2004 THROUGH MARCH 31, 2005</p>		
<p>PART I – AUDIT REPORTS ISSUED</p>		
Report Number	Title	Date Issued
OIG-04-07	Review of The King Street Station parking Garage	12/08/04
OIG-05-01	Audit Memorandum: Analysis of Region V 5300 Call Report Referral	1/10/05
OIG-05-02	Financial Audit: NCUA Operating Fund	3/31/2005
OIG-05-03	Financial Audit: Share Insurance Fund	3/31/2005
OIG-05-04	Financial Audit: Central Liquidity Fund	3/31/2005
OIG-05-05	Financial Audit: Community Development Revolving Loan Fund	3/31/2005
<p>PART II – AUDITS IN PROGRESS (as of March 31, 2005)</p>		
	Review of NCUA’s Process for Reviewing Federally Insured State Chartered Credit Unions	
	Audit Survey of the National Credit Union Share Insurance Fund	

INDEX OF REPORTING REQUIREMENTS

SECTION	DATA REQUIRED	PAGE REF
4(a)(2)	Review of Legislation and Regulations	16
5(a)(1)	Significant Problems, Abuses, or Deficiencies relating to the administration of programs and operations disclosed during the reporting period.	10
5(a)(3)	Recommendations with Respect to Significant Problems, Abuses, or Deficiencies.	10
5(a)(3)	Significant Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed.	13
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.	20
5(a)(7)	Summary of Particularly Significant Reports.	10
5(a)(8)	Statistical Tables on Audit Reports With Questioned Costs.	18
5(a)(9)	Statistical Tables on Audit Reports With Recommendations That Funds Be Put To Better Use.	19
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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