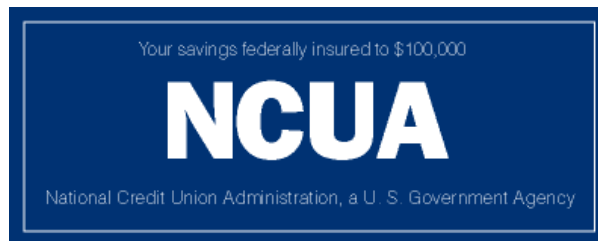


**NATIONAL CREDIT UNION ADMINISTRATION  
OFFICE OF INSPECTOR GENERAL**

**Semiannual Report  
to the Congress**

**October 1, 2003 – March 31, 2004**





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

It is my pleasure to submit this Semiannual Report on the accomplishments of the National Credit Union Administration (NCUA) Office of the Inspector General (OIG) for the six-month period ending on March 31, 2004. This report summarizes the major activities and accomplishments of the OIG during this reporting period.

To the extent possible, I have focused, and will continue to focus, our limited audit resources on NCUA's primary programs and responsibilities as well as ongoing financial and information security audits and evaluations. Consequently, the OIG's current Strategic Plan and Performance Plan project a series of audits and reviews prioritized to assist NCUA in fulfilling its mission more effectively and efficiently. We are aware, however, that these projections may be preempted by specific requests from the Congress or the NCUA Board, new or updated legislation, a failure requiring an OIG Material Loss Review, and emerging areas of susceptibility. We remain poised to revise our plans accordingly should any of these situations arise.

Our emphasis on the agency's major programs during this reporting period resulted in extensive survey work to plan an audit of NCUA's program for providing federal insurance to state chartered credit unions. This audit will focus on how NCUA addresses material risk in state chartered credit unions that may negatively affect the National Credit Union Share Insurance Fund (NCUSIF) and, in particular, how NCUA determines the acceptability of reports prepared by the individual state credit union supervisory authorities. I look forward to the working challenges this audit presents as well as the opportunity to assist the NCUA in ensuring the continued viability of the NCUSIF.

On the investigations side of the office, our investigations staff has experienced a continually increasing caseload though our investigations staff remains at one FTE. During the last reporting period, we closed four investigations and initiated four new ones, two of which generated interest from the United States Attorney's Office. Additionally, the investigations staff worked with agency management to formalize and memorialize the policies and procedures for the handling and dissemination of IG investigative information and reports of

investigation. Finally, during this reporting period, our investigations staff organized a working group of investigators representing smaller Offices of Inspectors General for the purpose of exchanging ideas and establishing a basis for resource sharing. The group meets bi-monthly and has enjoyed a steady expansion in membership.

I would again like to thank the NCUA Board and my dedicated staff for their support, hard work, and cooperation. In particular, I would like to thank our outgoing Chairman, the Honorable Dennis Dollar, for his consistent support and understanding of our unique role within the agency. While we have not always agreed on every matter, Chairman Dollar's respect for the IG's independence and responsibilities fostered a constructive and rewarding working relationship. I look forward to continuing that positive relationship with NCUA's existing Board members and with the next appointee to Chairman Dollar's slot on the NCUA Board.

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***MISSION STATEMENTS***

***THE NCUA MISSION***

OUR CHARGE IS TO FOSTER THE SAFETY AND SOUNDNESS OF FEDERALLY INSURED CREDIT UNIONS AND TO BETTER ENABLE THE CREDIT UNION COMMUNITY TO EXTEND AVAILABILITY OF FINANCIAL SERVICES FOR PROVIDENT AND PRODUCTIVE PURPOSES TO ALL WHO SEEK SUCH SERVICE, WHILE RECOGNIZING AND ENCOURAGING THE HISTORICAL EMPHASIS BY CREDIT UNIONS ON EXTENSION OF FINANCIAL SERVICES TO THOSE OF MODEST MEANS.

WE DO THIS BY MANAGING THE SHARE INSURANCE FUND IN AN EFFICIENT AND PRUDENT MANNER AND ESTABLISHING A REGULATORY ENVIRONMENT THAT ENCOURAGES INNOVATION, FLEXIBILITY, AND CONTINUED FOCUS ON ATTRACTING NEW MEMBERS AND IMPROVING FINANCIAL SERVICE TO EXISTING MEMBERS.

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***THE OFFICE OF INSPECTOR GENERAL MISSION***

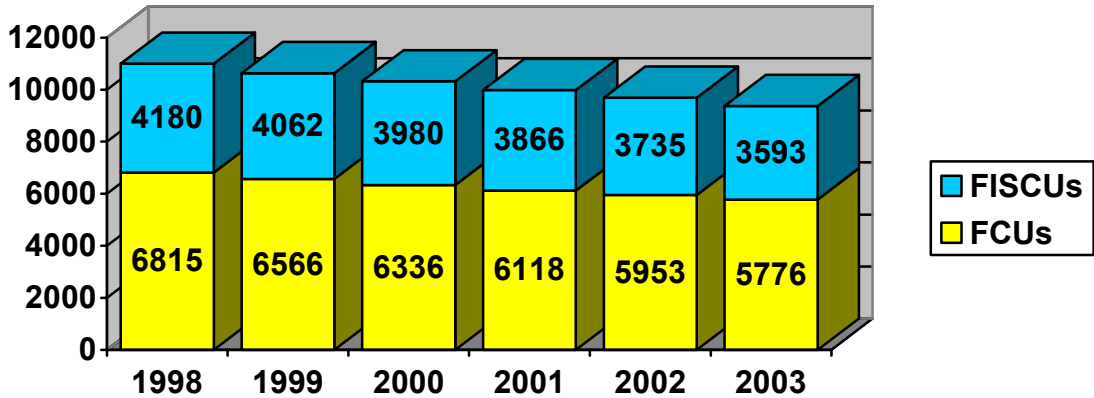
THE OIG PROMOTES THE ECONOMY, EFFICIENCY, AND EFFECTIVENESS OF NCUA PROGRAMS AND OPERATIONS, AND DETECTS AND DETERS FRAUD, WASTE, AND ABUSE, THEREBY SUPPORTING NCUA'S MISSION OF MONITORING AND PROMOTING SAFE AND SOUND FEDERALLY INSURED CREDIT UNIONS.

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. NCUA is funded by the credit unions it supervises and insures. As of December 31, 2003, the NCUA was supervising and insuring 5,776 federal credit unions and insuring 3,593 state-chartered credit unions, a total of 9,369 institutions. This represents a loss of 177 federal and 142 state-chartered institutions since December 31, 2002, for a total loss of 319 credit unions nationwide.

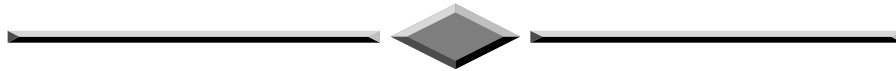
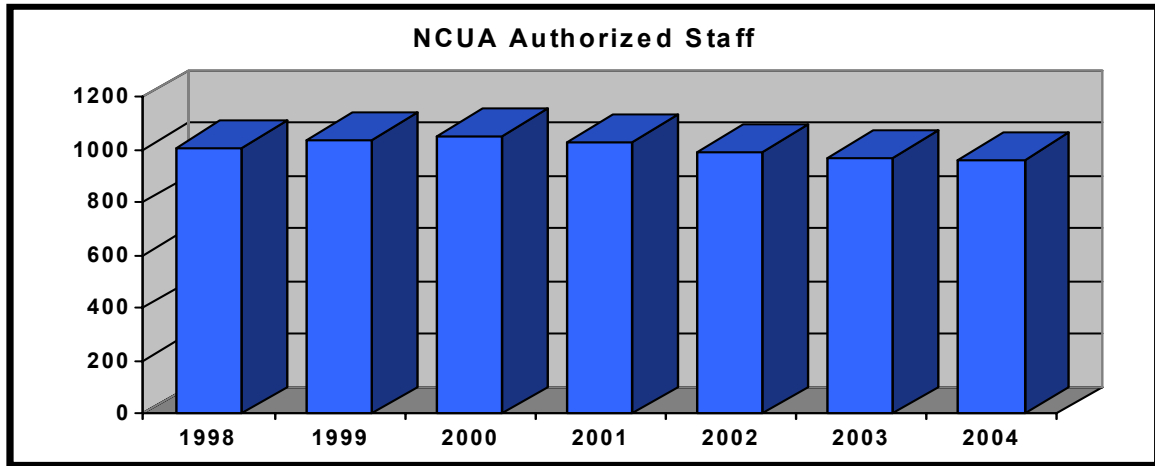
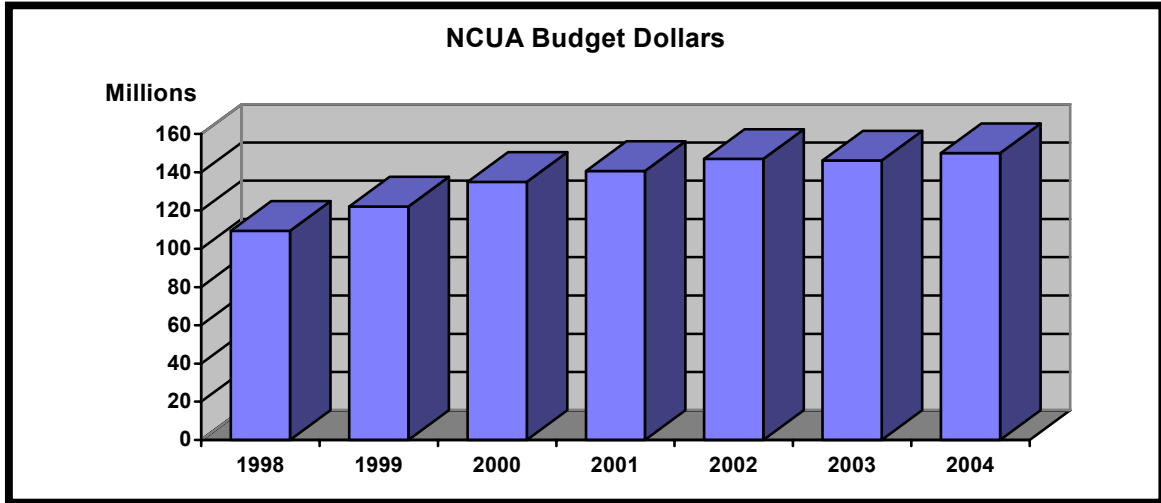
**Federally Insured Credit Unions**



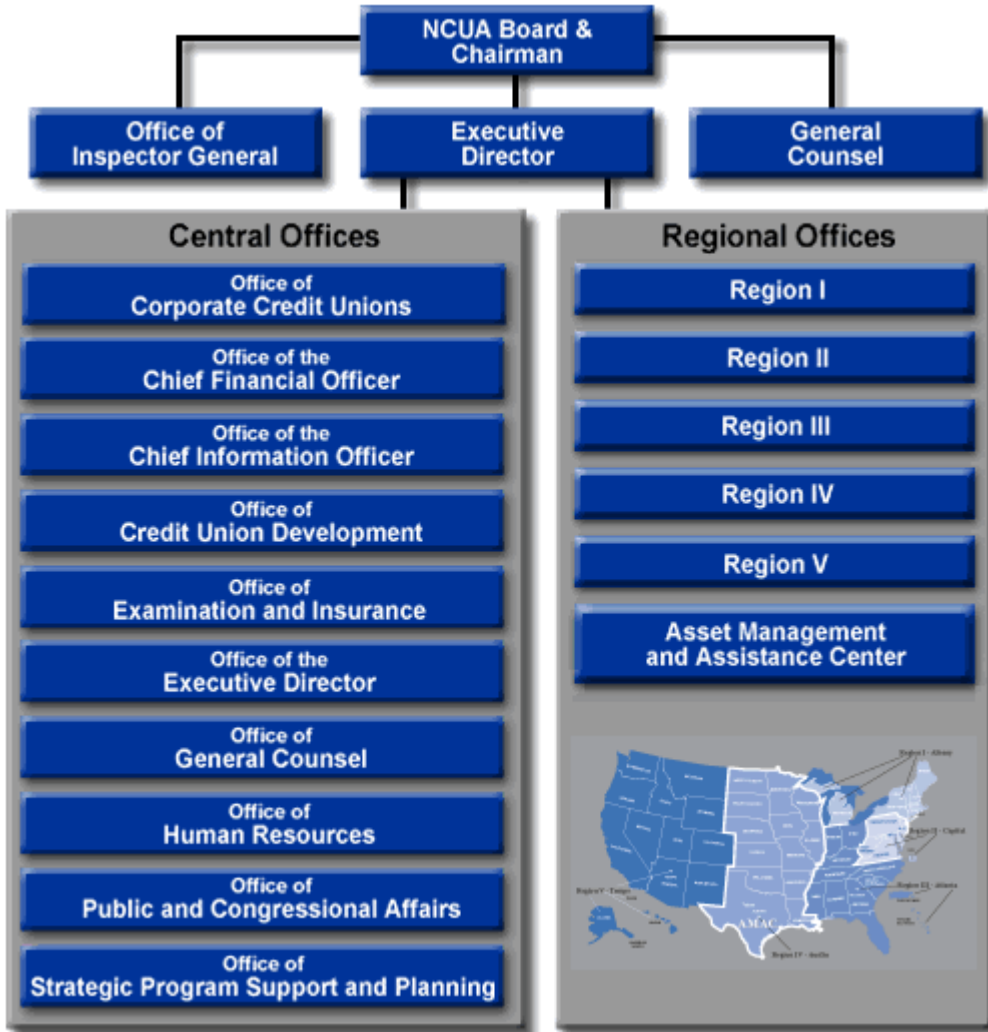
NCUA operates under the direction of a Board composed of three members. Board members are appointed by the President and confirmed by the Senate. They serve six-year terms. Terms are staggered, so that one term expires every two years. The Board is responsible for the management of the National Credit 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. 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 2004 budget on November 20, 2003. The final revised 2004 budget of \$149,927,592 represents a decrease of \$3,847,881 from the 2003 budget. The Full Time Equivalent (FTE) staffing authorization for 2004 is 963, a reduction of 8 positions over the 2003 total of 971.



**NCUA ORGANIZATION CHART**





## ***NCUA HIGHLIGHTS***

### **PRESIDENT BUSH NAMES JOHNSON NCUA CHAIRMAN**

Effective May 3, 2004, President George W. Bush named JoAnn Johnson to serve as NCUA Chairman. Chairman Johnson was an Iowa State Senator prior to President Bush's appointment of her to the NCUA Board in 2002. She succeeds former Chairman Dennis Dollar, who retired from the NCUA Board on April 30, 2004. The Bush Administration has not yet named a successor to Dollar's seat on the NCUA Board. Until a third Board member is appointed or confirmed, Chairman Johnson and Board Member Deborah Matz will serve as a two-person board.

### **CHAIRMAN JOHNSON VOICES SUPPORT FOR CURIA**

Chairman Johnson, before the House Financial Services Subcommittee on Financial Institutions on July 20, 2004, characterized the *Financial Institutions Regulatory Relief Act of 2004* as a significant bipartisan achievement that NCUA supports. Chairman Johnson stated further that NCUA enthusiastically supports the introduction of the *Credit Union Regulatory Improvements Act of 2003* (CURIA). CURIA currently contains statutory changes that will directly affect federal credit union operations, including establishing a risk-based system for prompt corrective action (PCA), raising the cap on member business lending (MBL) to 20 percent of total assets, and increasing the minimum MBL threshold to \$100,000.

### **NCUA ENABLES FEDERAL CREDIT UNIONS TO SERVE AS TRUSTEES FOR HEALTH SAVINGS ACCOUNTS**

On July 20, 2004, the NCUA Board approved final changes to its rules enabling federal credit unions to serve as trustees or custodians for members Health Savings Accounts (HAS). The rule implements authority contained in the *Medicare Prescription Drug, Improvement and Modernization Act of 2003*, signed into law last December by President Bush. Under the changes, federal credit unions may offer qualified members the opportunity to establish and HAS.

### **NCUA TESTIFIES BEFORE U.S. SENATE**

For the first time in recent history, NCUA joined the Federal Reserve Board, FDIC, and other federal and state financial regulators in testifying on the condition of the financial industry before the U.S. Senate Committee on Banking, Housing and Urban Affairs on April 20, 2004. Former NCUA Chairman Dollar reported to committee members on the strong state of the credit union industry as well as the health of the NCUA's \$6 billion National Credit Union Share Insurance Fund.

**FEDERALLY INSURED CREDIT UNION HIGHLIGHTS**

**C**redit unions submit quarterly call reports (financial and operational data) to NCUA. An NCUA staff assessment of the December 31, 2003, quarterly call reports submitted by all federally insured credit unions found that virtually all key financial indicators were stable.

**KEY FINANCIAL INDICATORS STABLE**

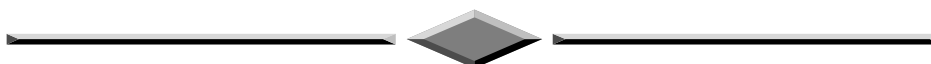
Looking at the December 31, 2003 quarterly statistics for major balance sheet items and key ratios shows the following for the nation's 9,369 federally insured credit unions: assets grew 9.5 percent, or \$53.0 billion; net worth to assets ratio remained the same at 10.7 percent; the loan to share ratio increased from 70.8 percent to 71.2 percent; the delinquency ratio decreased from .79 to .77 percent; and credit union return on average assets decreased from 1.07 percent to .99 percent.

**SAVINGS INCREASED DURING 2003**

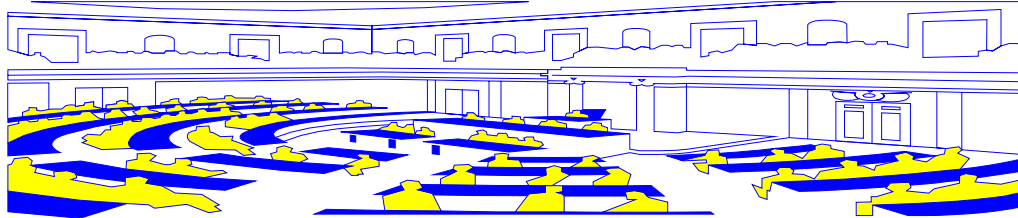
Total share accounts increased 9.1 percent, or \$44.1 billion; share drafts increased 12.6 percent; regular shares increased 11.5 percent; share certificates increased .4 percent; money market shares grew 15 percent; IRA/KEOGH accounts grew 7.1 percent; and other shares increased 9.3 percent. Non-member deposits increased 5.2 percent.

**LOANS AND INVESTMENTS ALSO INCREASED DURING 2003**

Loan growth of 9.8 percent resulted in an increase in total loans by \$33.4 billion. First mortgage real estate loans increased \$16.8 billion or 16.7 percent; used auto loans increased \$9.0 billion or 12.5 percent; other real estate loans increased \$3.6 billion or 7.8 percent; unsecured credit card loans increased \$200 million or .8 percent; all other unsecured loans decreased \$300 million or 1.6 percent; new auto loans increased \$3.3 billion or 5.5 percent; and all other loans increased \$900 million or 4.7 percent. First mortgage real estate loans are the largest single asset category with \$117.5 billion accounting for 31 percent of all loans. Total investments increased \$20.6 billion or 14.7 percent. All investment categories, except mutual funds, displayed growth. Investments in federal agency securities of \$88.5 billion account for 55 percent of all credit union investments.



**LEGISLATIVE HIGHLIGHTS**



**CURIA GAINS FOUR NEW SPONSORS**

The Credit Union Regulatory Improvements Act (CURIA), introduced last year by Rep. Ed Royce-R-Calif., recently gained four additional cosponsors. Reps. Thomas Tancredo, R-Colo., Donald Payne, D-N.J., Robert Cramer, D-Ala., and Thomas Allen, D-Maine, all signed on to the bill on March 24, 2004, bringing total cosponsors to 36. Along with several additional credit union-specific measures, the bill includes all of the credit union regulatory relief items contained in H.R. 1375 except the one addressing membership in the Federal Home Loan Banks. H.R. 1375, covering credit unions, banks, and thrifts, was passed by the House on March 18 on a vote of 392-25 and awaits Senate action. NCUA Chairman Dollar acknowledged lawmakers’ “even-handed assessment” of NCUA’s recommendations on regulatory relief and their impact on credit unions under the agency’s supervision.

**HUD WITHDRAWS PROPOSED RESPA RULE**

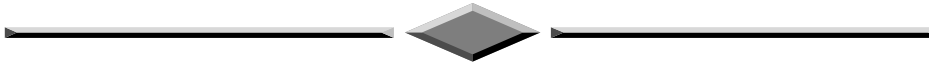
The U.S. Department of Housing and Urban Development (HUD) announced, on March 22, 2004, its decision to withdraw its proposed Real Estate Settlement Procedures Act (RESPA) reform Final Rule from review by the Office of Management and Budget. HUD’s proposed rule amended RESPA to allow federally regulated, fixed-rate guaranteed-cost settlement packages and required companies to adhere more strictly to required “good faith estimates” of loan fees and settlement costs.

**DATES SET FOR FACT ACT IMPLEMENTATION**

The first final rule implementing the Fair and Accurate Credit Transaction Act (FACT Act) was issued on February 5, 2004, establishing two sets of effective dates that credit unions must comply with. Rules making significant changes to business procedures became effective on March 31, 2004. Those requiring few changes take effect on December 1, 2004. The FACT Act, which became law in December 2003, creates a number of important new consumer protections designed to help prevent identity theft and assist consumers who become victims of this rapidly growing crime.

**HOUSE APPROVES INCREASE IN FUNDING FOR NCUA'S COMMUNITY DEVELOPMENT REVOLVING LOAN FUND**

On December 8, 2003, the U.S. House of Representatives approved a conference report that increased funding for NCUA's Community Development Revolving Loan Fund (CDRLF) by 20 percent, and provided funding for Federal Trade Commission oversight of certain credit union disclosure requirements. The General Accounting Office (GAO) recommended the funding increases in its October 2003 report, which provided a comprehensive review of NCUA, the Share Insurance Fund, and credit union operations. The GAO stated that the overall health and stability of credit unions has significantly improved since its last review in 1991.

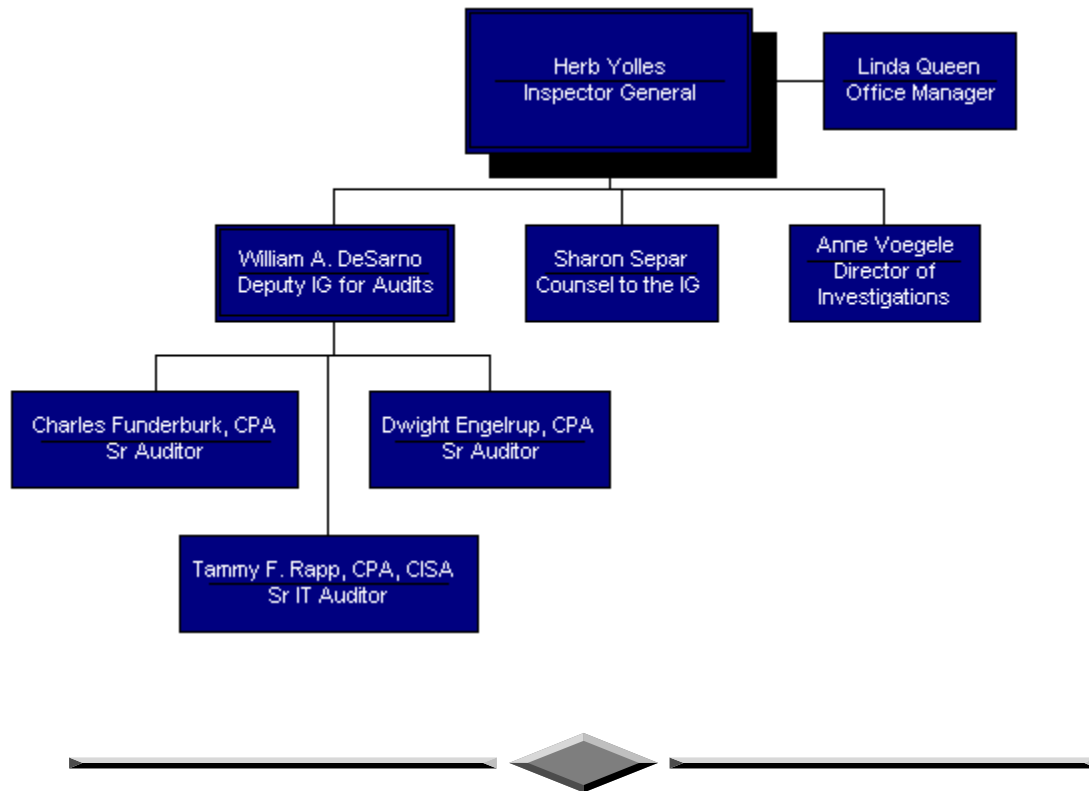


**OFFICE OF THE INSPECTOR GENERAL**

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, Deputy 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

#### NCUA Financial Statement Audits, dated March 31, 2004

Our contract accounting firm, Deloitte & Touche LLP, issued opinions on the 2003 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, 2003. The firm issued its opinions on February 24, 2004.

**The NCUA Operating Fund (OIG-04-01)** was established as a revolving fund managed by the NCUA Board for the purpose of providing administration and service to the federal credit union system. The auditors issued an **unqualified opinion** on the Operating Fund's financial statements. The Funds total assets for 2003 were \$64.4 million, up from \$55.9 million in 2002.

**The National Credit Union Share Insurance Fund (OIG-04-02)** was established as a revolving fund managed by the NCUA Board to insure member share deposits in all Federal credit unions and qualifying state credit unions up to \$100,000 per shareholder account. The auditors issued an **unqualified opinion** on the Share Insurance Fund's financial statements. The Fund's total assets for 2003 were \$6.2 billion, up from \$5.7 billion in 2002.

**The Central Liquidity Facility (OIG-04-03)** was established as a mixed ownership government corporation managed by the NCUA Board to improve general financial stability by meeting the liquidity needs of credit unions. The auditors issued an **unqualified opinion** on the CLF's financial statements. The CLF's total assets for 2003 were \$1.2 billion, up from \$1.1 billion in 2002.

**The Community Development Revolving Loan Fund's (OIG-04-04)** purpose is to stimulate economic activities in the communities served by low-income credit unions. This in turn will result in increased income, ownership and employment opportunities for low-wealth residents and other economic growth. The auditors issued an **unqualified opinion** on the Fund's financial statements. The CDRLF's total assets for 2003 were \$14.3 million, up from \$13.3 million in 2002.

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 NCUA’s Parking Operations Agreement**

It has been 10 years since NCUA originally entered into a parking lot operations agreement for management and operation of the parking garage located directly under the NCUA Central Office Building at 1775 Duke Street, Alexandria, Virginia. This review is focusing on the controls in place to ensure the accurate reporting of revenue and expenses related to NCUA’s parking spaces.

**Review of NCUA’s Supervision of State Chartered Credit Unions**

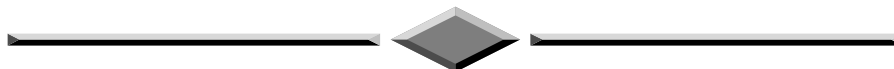
The objective of this review is to evaluate NCUA’s role in determining and managing the risk that federally insured state chartered credit unions pose to the Share Insurance Fund. Additionally, this review will evaluate how NCUA varies its approach or level of effort in response to the level of risk of individual state programs; determine if NCUA is performing reviews of all state examination reports; and determine how NCUA communicates identified problems to the state supervisory authorities when problems are identified during NCUA’s off-site reviews.

**Independent Evaluation of the NCUA’s Information Security Program for 2004**

The Federal Information Security Management Act (FISMA), Public Law 107-347, requires Inspectors General to perform independent evaluations of agency compliance with FISMA and agency security policies and procedures. This review will evaluate the agency’s progress in complying with the Security Management Act (FISMA); and Office of Management and Budget Circular A-130, Appendix III. The report will discuss the effectiveness of NCUA’s information security controls to protect and secure NCUA’s information technology infrastructure and assets.

**SIGNIFICANT AUDIT RECOMMENDATIONS ON WHICH CORRECTIVE ACTION HAS NOT BEEN COMPLETED**

As of March 31, 2004, 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***

**I**n 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. Our investigative jurisdiction 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 allegation 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.

During the last reporting period, the OIG reported on the execution of a Memorandum of Understanding between the OIG and the agency's Office of the Executive Director (OED) regarding the sharing of information and handling and dissemination of OIG reports. The investigations staff appreciates the considerable efforts of the OED in facilitating increased communications between the OED and the OIG.

During this reporting period, the NCUA investigations staff organized a working group of investigators from smaller government IG offices for the purpose of exchanging ideas and establishing a basis for sharing resources. The group meets every other month and has been steadily increasing in membership.

Also during this reporting period, the OIG received a referral from the agency regarding an employee who had abandoned his position as a credit union examiner and been missing for several months. The agency had made numerous attempts to contact the employee, and, failing that, was in the process of terminating his employment with the NCUA. The agency reported to the OIG that the employee was still in possession of agency computer equipment worth several thousand dollars as well as original credit union documents. The investigations staff initiated a search for the individual, and, upon locating him, lured him to a particular location where he was confronted by agents. The employee admitted to having the equipment and led the agents to the location where the equipment and files were stored. All items were recovered without incident.



<b>Investigative Operations</b>	
Contacts/inquiries/investigations carried forward from previous reporting period	2
Contacts initiated during reporting period	6
Contacts closed	4
Investigative reports issued	1
Investigative Subpoenas issued	1
Matters referred back to the agency	8
Management Implication Reports issued	0
Matters remaining open	4

**CLOSED INVESTIGATIONS**

During this reporting period, we closed four (4) matters.

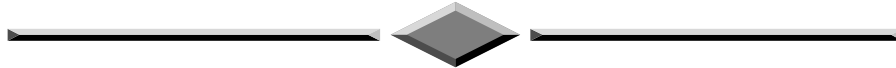
One (1) investigation, as reported above, involved an employee who had abandoned his position as a credit union examiner and been missing for several months. The agency had made numerous attempts to contact the employee, and, failing that, was in the process of removing the employee from government service. The employee was still in possession of agency computer equipment worth several thousand and original credit union documents. Investigations staff initiated a search for the individual, and, upon locating him, lured him to a particular location where he was confronted by agents. The employee admitted to having the equipment and led the agents to the location where the equipment and files were stored. All items were recovered without incident. No criminal charges were sought in connection to this case.

One (1) investigation involved allegations against an agency senior official of actions which, if true, constituted a criminal conflict of interest. The OIG conducted initial interviews and determined that the allegations were unwarranted. After consultation with the United States Attorney’s office, the OIG closed the matter.

One (1) investigation involved an allegation that an unnamed agency senior official had inappropriately provided personal information to the media regarding a credit union member. The OIG reviewed relevant documentation and conducted interviews and determined that an agency Regional Director had confirmed to a reporter information about a citizen that constituted an improper release of non-public information. The facts uncovered revealed that the release of information was inadvertent. The agency is considering action in this matter.

One (1) investigation involved allegations of travel fraud and false claims by an agency employee. Initial investigation determined that the allegations were without merit and the matter was closed to the file.

During this reporting period, we received eight (8) referrals for investigation which were declined for investigation and/or were returned to the agency for appropriate action.



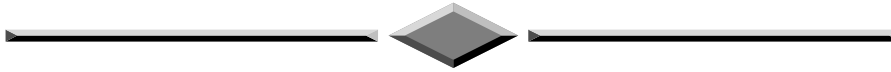
**LEGISLATIVE AND REGULATORY REVIEWS**

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 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 items, including proposed and final changes to legislation, regulations, and agency Interpretive Ruling and Policy Statements (IRPS).

<b>SUMMARY OF STATUTES AND REGULATIONS REVIEWED</b>	
<b>Legislation</b>	<b>Title</b>
H.R. 1375/H.R. 3579	Regulatory Relief/CURIA
<b>Regulations/Rulings</b>	<b>Title</b>
12 CFR Part 701	Proposed Rule and Summary of Comments: Change in Official or Senior Executive Officer in Credit Unions that are Newly Chartered or Are in Troubled Condition
12 CFR Part 701, 742	Final Rule: Federal Credit Union Ownership of Fixed Assets
12 CFR Parts 703, 704	Final Rule: Investment in Exchangeable Collateralized Mortgage Obligations
12 CFR Part 708a	Proposed Rule with Request for Comments: Conversion of Insured Credit Unions to Mutual Savings Banks
12 CFR Part 708b	Proposed Rule with Request for Comments: Mergers of Federally-Insured Credit Unions; Voluntary Termination or Conversion of Insured Status
12 CFR Part 717	Notice of Proposed Rulemaking: Fair Credit Reporting--Affiliate Marketing Regulations
12 CFR parts 717, 748	Notice of Proposed Rulemaking: Fair Credit Reporting—Proper Disposal of Consumer Information under the Fair and Accurate Credit Transactions Act of 2003
12 CFR Section 723	Proposed Rule and Summary of Comments: Member Business Loans
12 CFR Parts 724, 721	Notice of Proposed Rulemaking: Health Savings Accounts
12 CFR Part 745	Interim Final Rule with Request for Comments: Share Insurance; Living Trust Accounts

12 CFR Chap. VII	Proposed Rule; Notice of Regulatory Review; Request for Comments: Summary of Comments--EGRPRA
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**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**

<b>INSPECTOR GENERAL ISSUED REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE</b>			
		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**

<b>SUMMARY OF OIG ACTIVITY                      OCTOBER 1, 2003 THROUGH MARCH 31, 2004</b>		
<b>PART I – AUDIT REPORTS ISSUED</b>		
Report Number	Title	Date Issued
OIG-04-01	Financial Audit: NCUA Operating Fund	3/31/2004
OIG-04-02	Financial Audit: Share Insurance Fund	3/31/2004
OIG-04-03	Financial Audit: Central Liquidity Fund	3/31/2004
OIG-04-04	Financial Audit: Community Development Revolving Loan Fund	3/31/2004
<b>PART II – AUDITS IN PROGRESS (as of March 31, 2004)</b>		
	Review of NCUA’s Parking Operations Agreement	
	Review of NCUA’s Supervision of State Chartered Credit Unions	
	Independent Evaluation of the NCUA’s Information Security Program for 2004	

***INDEX OF REPORTING REQUIREMENTS***

SECTION	DATA REQUIRED	PAGE REF
4(a)(2)	Review of Legislation and Regulations	15
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.	11
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.	19
5(a)(7)	Summary of Particularly Significant Reports.	10
5(a)(8)	Statistical Tables on Audit Reports With Questioned Costs.	17
5(a)(9)	Statistical Tables on Audit Reports With Recommendations That Funds Be Put To Better Use.	18
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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