

NATIONAL CREDIT UNION ADMINISTRATION
OFFICE OF INSPECTOR GENERAL



2004 ANNUAL
PERFORMANCE PLAN

OVERVIEW

The National Credit Union Administration (NCUA) Office of Inspector General (OIG) Annual Performance Plan for 2004 delineates those audits and investigations that would most benefit the NCUA. In formulating this Plan, we considered:

- The agency's strategic and annual performance plans;
- Pertinent legislation, including the Inspector General Act, the Federal Credit Union Act, the Government Performance Results Act (GPRA), the Credit Union Membership Act, the Federal Information Security Management Act (FISMA), and the Sarbanes-Oxley Act of 2002;
- Congressional activity and testimony by NCUA officials as well as significant areas of interest to NCUA Board members and the Congress;
- Audits and reviews of NCUA and the credit union industry 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 the agency's strategic goals. The agency's strategic goals are:

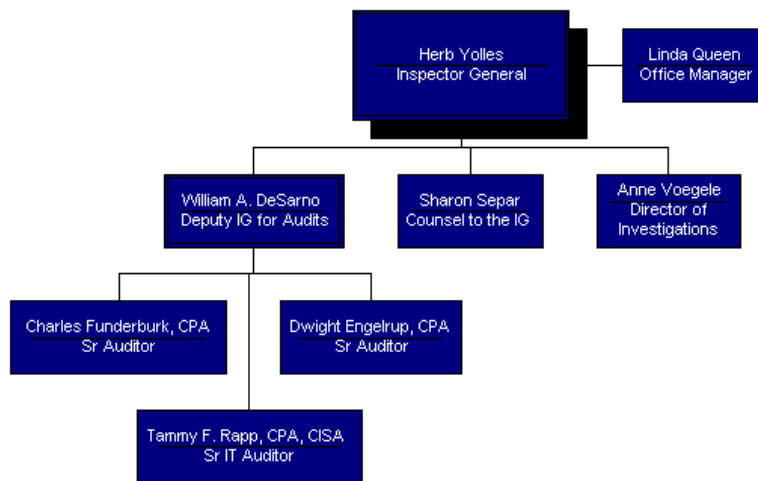
- Promote a system of financially healthy federally-insured credit unions able to withstand economic volatility.
- Facilitate the ability of credit unions to safely integrate financial services and emerging technology in order to meet the changing expectations of their members.
- Create a regulatory environment that will facilitate credit union innovation to meet member financial service expectations.
- Enable credit unions to leverage their unique place in the American financial system to extend availability of service to all who seek such service, while encouraging and recognizing their historical emphasis on servicing those of modest means.

- Enhance NCUA’s organization in its efforts to work with the credit union community in creating an environment that enables credit unions to continue to flourish while addressing the challenges of the twenty-first century.

In preparing our 2004 Performance Plan, we identified an inventory of about 50 audits and reviews that address the agency’s strategic goals. Due to our resource limitations, we considered each of these audits and reviews and determined which ones should form the basis of our work over the next two years (See Appendix C). Criteria considered in the prioritization process included such factors as importance to the NCUA mission, time since the previous audit or review, as well as NCUA Board and Congressional interest. Appendix C represents an ambitious schedule of planned audits and reviews for 2004 and 2005. Depending on unforeseen priorities and the resources ultimately required to complete each audit or review, all of the individual audits and review may not be started in the year indicated.

Resources

The OIG staff is currently composed of 8 positions 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. For 2004, our contracting budget is approximately \$300,000.

Audit Environment

While this plan is flexible and responsive to constantly changing priorities, a significant proportion of the OIG’s resources are devoted to required or mandated assignments. For example, annually the OIG is required to perform or oversee:

- the Financial Statement Audits of NCUA's four funds (The NCUA Operating Fund; The NCU Share Insurance Fund; the Central Liquidity Facility Fund; and the Community Development Revolving Loan Fund);
- a mandated review of NCUA's implementation of the Federal Information Security Management Act (FISMA); and
- verification of NCUA's financial information in support of the federal government's consolidated financial statements.

In addition, the OIG may be called upon to perform specific audits or reviews requested by Congress such as the recent Travel and Purchase Card Reviews. The OIG also performs peer reviews as requested by the President's Council on Integrity and Efficiency (PCIE). Further, the Federal Credit Union Act requires the OIG to perform Material Loss reviews of any losses to the Share Insurance Fund exceeding \$10 million and an amount equal to 10% of the total assets of the particular credit union.

Audits and investigations that cannot be accomplished in 2004 will be deferred to 2005 (Appendix C).

The following appendices are included in our 2004 plan:

Appendix A: 2004 Planned Audits and Reviews

Appendix B: 2004 Legal Projects and Projected Investigative Work

Appendix C: Audits and Reviews scheduled for 2004-2005

Appendix D: Prioritized Audit Universe

Appendix A

2004 Planned Audits and Reviews

Financial Statements Audits (4)

Preliminary Objective: Are the four funds that the agency administers in compliance with GAAP and do their statements fairly represent 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

Preliminary Objective: To determine if NCUA is in compliance with the Federal Information Security Management Act. This annual independent evaluation is required by the Act.

Material Loss Reviews (as necessary)

Objective: To ascertain why the credit unions problems resolved in a material loss to the insurance fund and make recommendations for preventing any such loss in the future. The Federal Credit Union Act requires the NCUA Inspector General to review and report on any such material losses exceeding \$10 million and an amount equal to 10% of the total assets of the credit union.

Congressional/NCUA Board Requests (as necessary)

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

Other External Requirements

Preliminary Objective: Other external requirements include, for example, the OIG's required verification of FACTS data to support the US Government's Consolidated Financial Statements; and requested assistance to GSA to verify payroll accounts.

NCUA Risk Based Exam Scheduling Program (carry over)

Preliminary Objective: To determine if NCUA Regional Offices are effectively and consistently scheduling federally insured credit unions for examination in accordance with national guidance. This is the first phase of a four-phased audit.

Credit Union E-Commerce

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 three-phased audit.

Federally Insured State Chartered Credit Unions (FISCU) Risk Monitoring

Preliminary Objective: To evaluate NCUA's role in determining and managing the risk that federally insured state chartered credit unions pose to the Share Insurance Fund. This review will also evaluate how agreements are negotiated between NCUA and the respective state supervisory authorities as well as the adequacy of the agreements regarding supervision and monitoring of federally insured state chartered credit unions.

King St Parking Garage (carry over)

Preliminary Objective: To determine if NCUA is receiving equitable distribution of garage net income. This review will focus on the controls in place to ensure the accurate reporting of revenue and expenses related to NCUA's parking spaces.

NCUA Internal Controls Over Overnight Shipping

Preliminary Objective: To evaluate NCUA's internal controls over the use of overnight shipping vendors.

Corporate Credit Union IT Related Issues

Preliminary Objective: To determine the effectiveness and efficiency of NCUA's examination of corporate credit union information technology reviews.

Appendix B

2004 Legal Projects and Projected Investigative Work

2004 LEGAL ACTIVITIES

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

2004 INVESTIGATIONS

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

2004 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

Audits & Reviews Scheduled for 2004-2005

2004 PROJECTS

Audits:

- Financial Statement Audits (4)
- Federal Information Security Management Act 2004
- Material loss Reviews (as necessary)
- Congressional/NCUA Board Requests (as necessary)
- King St Parking Garage
- Overnight Shipping Controls
- NCUA Risk Based Exam Scheduling Program
- Credit Union E-Commerce
- Federally Insured State Chartered Credit Unions
- Corporate Credit Union IT Related Issues

2005 PROJECTS

Audits:

- Financial Statement Audits (4)
- Federal Information Security Management Act 2005
- Material loss Reviews (as necessary)
- Congressional/NCUA Board Requests (as necessary)
- Resource Allocation Process
- Adequacy of Information Technology Vendor Reviews
- GEO Differential Program
- Subject Matter Examiner Program
- Risk Focused Examination Process

Appendix D Prioritized Audit Universe

	Planned
Financial statement audits (4)	2004
Federal Information Security Management Act (FISMA) audit	2004
Material loss reviews (as necessary)	2004
GSA Payroll verification (requested assistance)	2004
U.S. Government Consolidated Financial Statements (FACTS verification)	2004
Peer Review (every 3 years)	2006
Congressional/NCUA Board Requests (as necessary)	2004
King St Parking Garage	2004
Federally insured state chartered credit unions	2004
Overnight Shipping controls (GAO referral)	2004
Budget Review (4 individually phased reviews) I. Risk Based Exam Scheduling (work in process) II. Resource Allocation Process (field hours) III. Dollar Budgeting IV. Budget Funding (operating fee/overhead transfer)	2004
Electronic Financial Services / Information Systems & Technology Program I. Credit union e-commerce II. Adequacy of information technology vendor reviews III. Privacy of credit union member data	2004
Review of Corporate Credit Union IT related issues identified in D&T Report	2004/2005
Risk Focused Examination Process I. Review of adequacy of Supervisory Committee Audits II. Off-site monitoring	2005
GEO differential program for all NCUA duty stations	2005
Subject Matter Examiner program	2005
Share Insurance Fund survey	
NCUA procurement and contracting	
Government Performance and Results Act	
Alexandria Building contract/finances	
Employee Relocation and Home Purchase Program	
Review of NCUA enforcement of administrative actions	
NCUSIF Reserving Process	
AMAC functions	
Natural Person CUSOs	
Copy Center cost effectiveness	
Adequacy of identification of new risks in Lending Programs	
Small credit union program	
SAP cost effectiveness	
Information and records management	
Communications with Credit Unions	
Travel Advance Program	
Large credit union exam	
Monitoring of SAR compliance / Bank Secrecy Act / Patriot Act	
NCUA Website Change Management	

