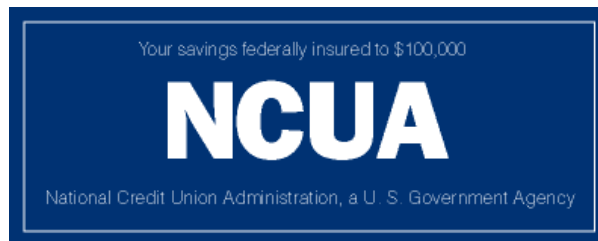


**NATIONAL CREDIT UNION ADMINISTRATION
OFFICE OF INSPECTOR GENERAL**

**Semiannual Report
to the Congress**

April 1, 2004 – September 30, 2004





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

As Inspector General, I am privileged to report on the accomplishments of the National Credit Union Administration (NCUA) Office of the Inspector General (OIG) for the six-month period ending on September 30, 2004. This report summarizes our significant audit and investigative efforts during this period.

The NCUA, and as a result the OIG, has experienced certain transitions during this reporting period. Most significantly, NCUA's former Chairman, Dennis Dollar, retired on April 30, 2004, and in June 2004, NCUA employees voted for union representation by the National Treasury Employees' Union.

The retirement of Chairman Dollar left the NCUA Board with two members, the current Chairman, JoAnn Johnson and Board Member Deborah Matz. It is with great anticipation that the OIG and the agency await the appointment of a third individual to fill Chairman Dollar's slot. We look forward to continuing a positive relationship with the existing Board members as well as the next appointee.

Our audit staff accomplished a major review this reporting period, involving the operation of the NCUA parking garage. We recently provided a draft report to agency management regarding the need to strengthen the internal controls over the parking garage income and expense reporting; oversee more closely garage parking management practices; and monitor compliance with contracts governing the garage operations. The audit staff also issued its annual independent evaluation of NCUA's information security program, as required by the Federal Information Security Management Act.

In addition to a heavy caseload of reactive investigations, our investigator initiated a proactive review this reporting period into employee misuse of the internet to access pornographic websites. This review resulted in five individual investigations.

More than ever, the OIG is dedicated to accomplishing its mission of conducting independent audits, investigations, and reviews to help the NCUA accomplish its mission; improve its effectiveness; and prevent and detect fraud, waste, and abuse. We look forward to working together successfully with the agency to achieve our strategic mission and goals.

Herbert S. Yolles
Inspector General

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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 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.

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

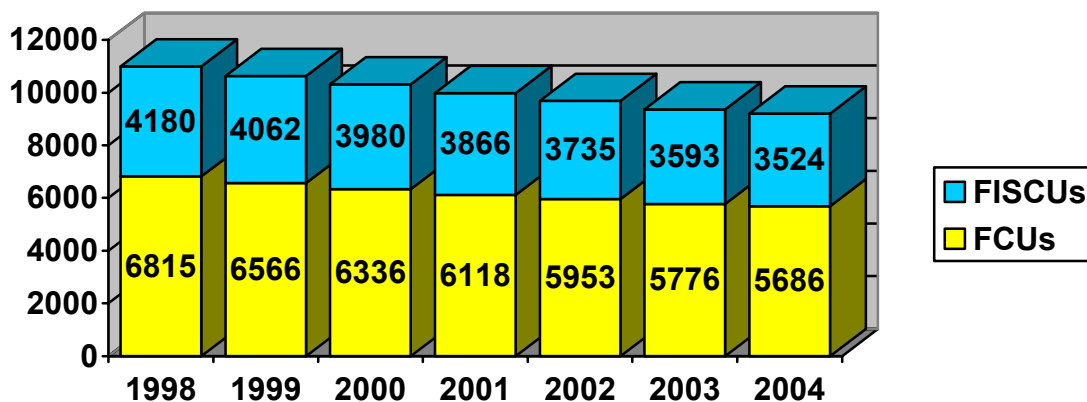
THE OIG PROMOTES THE ECONOMY, EFFICIENCY, AND EFFECTIVENESS OF NCUA PROGRAMS AND OPERATIONS, AND DETECTS AND DETERS FRAUD, WASTE, AND ABUSE, THEREBY SUPPORTING NCUA'S MISSION OF MONITORING AND PROMOTING SAFE AND SOUND FEDERALLY INSURED CREDIT UNIONS.

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 June 30, 2004, the NCUA was supervising and insuring 5,686 federal credit unions and insuring 3,524 state-chartered credit unions, a total of 9,210 institutions. This represents a loss of 90 federal and 69 state-chartered institutions since December 31, 2003, for a total loss of 159 credit unions nationwide.

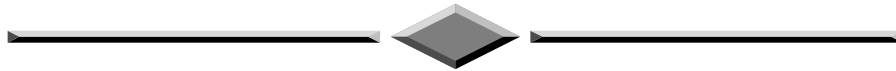
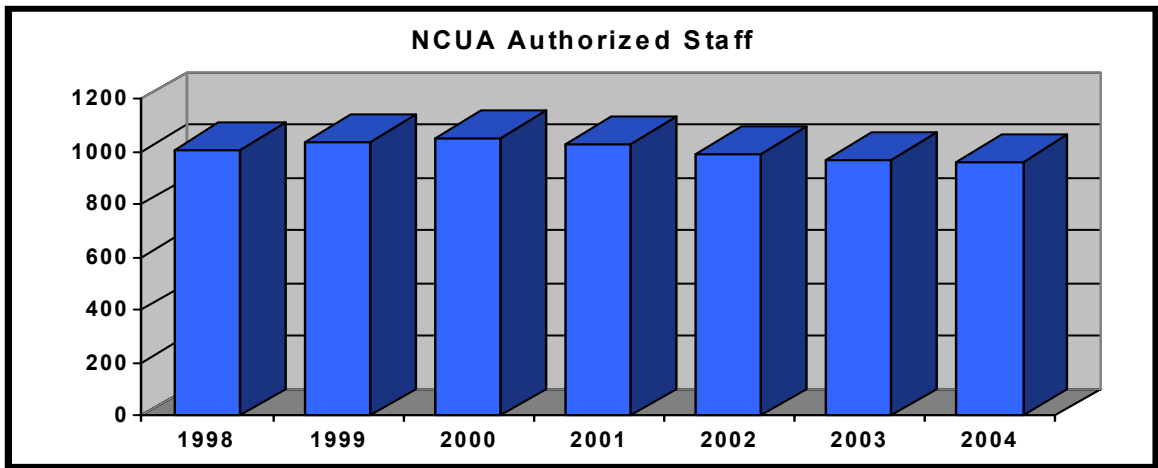
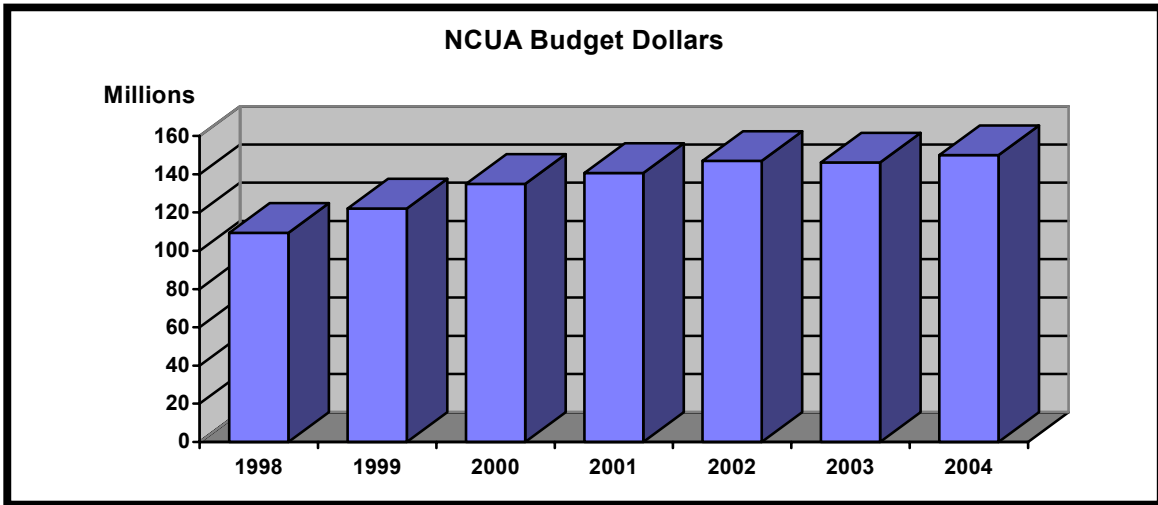
Federally Insured Credit Unions



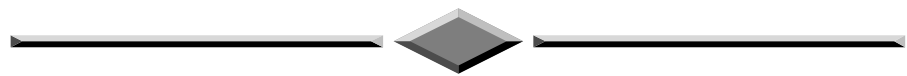
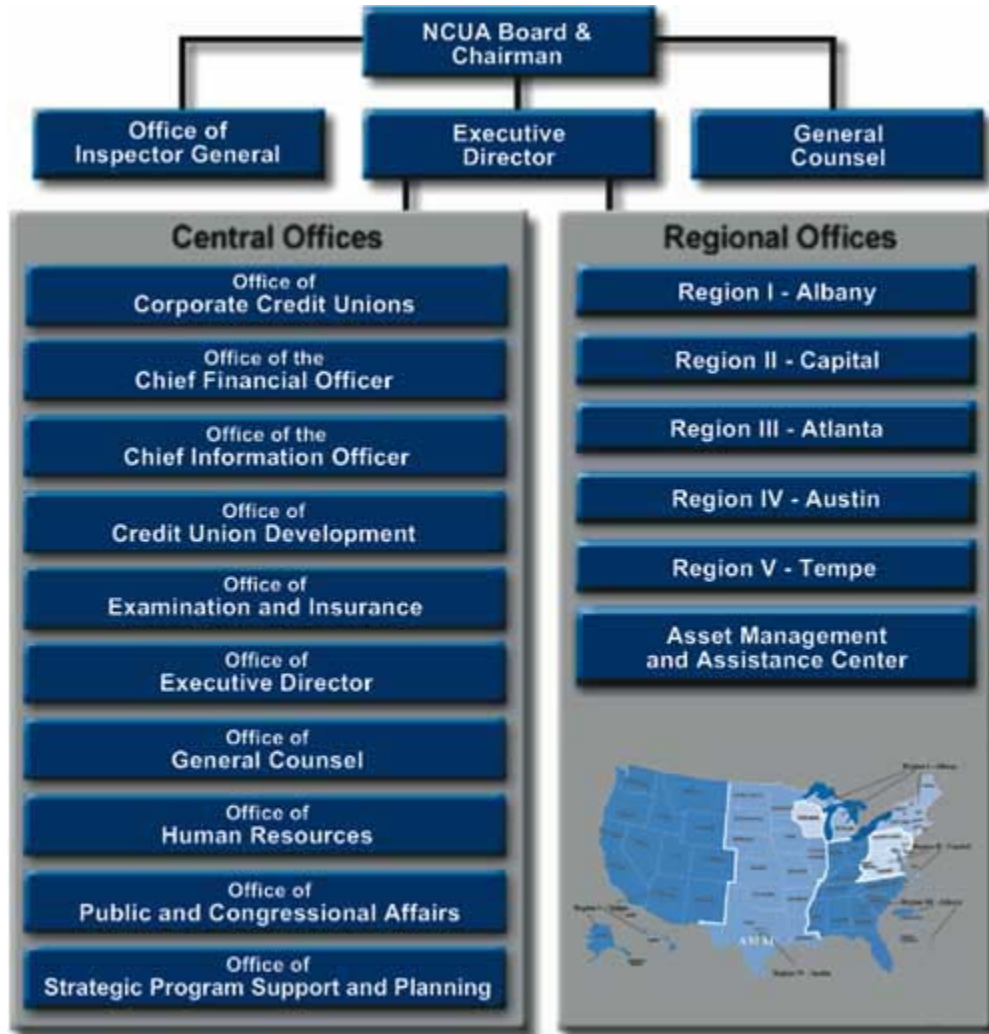
NCUA operates under the direction of a Board composed of three members. Board members are appointed by the President and confirmed by the Senate. They serve six-year terms. Terms are staggered, so that one term expires every two years. The Board is responsible for the management of the National Credit 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 of \$149,927,592 on November 20, 2003. On July 20, 2004, the NCUA Board decreased the 2004 budget to \$145,299,398. 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.

NCUA EMPLOYEES JOIN OTHER FINANCIAL REGULATORS IN ORGANIZING INTO NATIONAL TREASURY EMPLOYEES UNION

NCUA employees voted in June 2004 for representation by the NTEU, joining other federal workers in the financial regulatory agencies which currently have union representation. The NCUA bargaining unit includes both professional and non-professional employees and numbers approximately 760 employees. NTEU already represents employees of the Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and Securities and Exchange Commission. The nationwide NCUA vote was conducted by the Federal Labor Relations Authority, which oversees federal sector labor-management relations.

NCUA GRANTS ENHANCE UNDER-SERVED COMMUNITIES

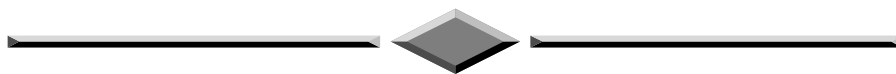
NCUA initiated a program that encourages low-income designated credit unions to apply for \$350,000 in technical assistance grants (TAGs) to cover the operational and administrative costs specifically associated with establishing and/or maintaining programs in the areas of financial education assistance, homeownership assistance, and staff training assistance. Such specialized grants are part of NCUA's Access Across America initiative to help people realize homeownership and other aspects of financial participation.

NCUA ACTIVATES DISASTER ASSISTANCE FOR HURRICANE VICTIMS

On August 14, 2004, the NCUA activated its disaster relief policy to assist credit unions and their members in areas where offices and homes were damaged and destroyed by wind, rain, and flooding caused by Tropical Storm Bonnie and Hurricane Charley in the State of Florida. President Bush had earlier that same week declared that a major disaster existed in Florida and ordered Federal aid to supplement state and local recovery efforts. NCUA examiners from Region III remained in close contact with the affected federal credit unions to offer advice and assistance.

NCUA TESTIFIES BEFORE CONGRESS

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. In addition, Chairman Johnson testified before the Senate Banking Committee on Bank Secrecy Act compliance; as well as before the House Financial Services Subcommittee on NCUA's support for the Credit Union Regulatory Improvements Act of 2003 (CURIA).



FEDERALLY INSURED CREDIT UNION HIGHLIGHTS

Credit unions submit quarterly call reports (financial and operational data) to NCUA. An NCUA staff assessment of the June 30, 2004, quarterly call reports submitted by all federally insured credit unions found that virtually all key financial indicators were stable for the first six months of 2004.

KEY FINANCIAL INDICATORS STABLE

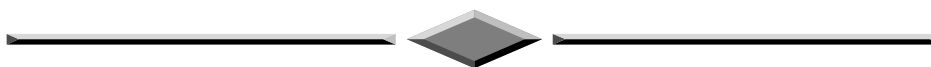
Looking at the June 30, 2004 quarterly statistics for major balance sheet items and key ratios shows the following for the nation's 9,210 federally insured credit unions: assets grew 4.17 percent, or \$25.4 billion; net worth to assets ratio remained the same at 10.7 percent; the loan to share ratio increased from 71.19 percent to 71.84 percent; the delinquency ratio decreased from .77 to .76 percent; and credit union return on average assets decreased from .99 percent to .92 percent.

SAVINGS INCREASED

Total share accounts increased 4.03 percent, or \$21.3 billion. Regular shares comprise 37.0 percent of total share accounts; share certificates comprise 21.8 percent; money market shares comprise 18.8 percent; share draft accounts comprise 12.4 percent; and 10.0 percent is in other share accounts.

LOANS AND INVESTMENTS ALSO INCREASED

Loan growth of 4.98 percent resulted in an increase in total loans by \$18.7 billion. First mortgage real estate loans increased 6.04 percent; used auto loans increased 3.17 percent; other real estate loans increased 10.20 percent; unsecured credit card loans decreased 3.75 percent; all other unsecured loans decreased 1.66 percent; new auto loans increased 5.73 percent; and all other loans increased 6.95 percent. First mortgage real estate loans are the largest single asset category with \$124.6 billion accounting for 32 percent of all loans. Total investments increased \$4.9 billion or 4.68 percent. Investments with maturities less than one year account for 46.08 percent of all credit union investments.



LEGISLATIVE HIGHLIGHTS**CHAIRMAN JOHNSON TESTIFIES THAT NCUA'S EXAMINATION PROGRAM EMPHASIZES BANK SECRECY ACT (BSA) COMPLIANCE**

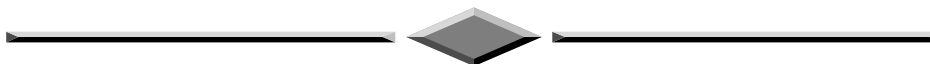
In her first Capitol Hill appearance as chairman, Chairman Johnson testified during a Senate Banking, Housing, and Urban Affairs Committee hearing on June 3, 2004, that BSA compliance was a salient part of the NCUA examination program. Chairman Johnson detailed to Committee members the BSA-related requirements of the examination program and examiner education. She indicated further that NCUA had issued eight *Letters to Credit Unions and Regulatory Alerts* to educate federally insured credit unions on BSA and USA PATRIOT Act compliance in the last few years. The agency is currently updating its *Compliance Self Assessment Guide*, which highlights key BSA requirements.

CHAIRMAN JOHNSON VOICES SUPPORT FOR CURIA

Before the House Financial Services Subcommittee on Financial Institutions on July 20, 2004, Chairman Johnson 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.

SARBANES INTRODUCES REMITTANCE REFORM BILL

Senator Paul Sarbanes, D-MD., introduced a bill on September 30, 2004, that, along with reforming practices in issuing international remittances, would allow credit unions to offer remittances and check cashing to anyone eligible to join, not just members. The International Remittance Consumer Protection Act of 2004 would also mandate disclosures to remittance customers and an error resolution process for remittance transfers.

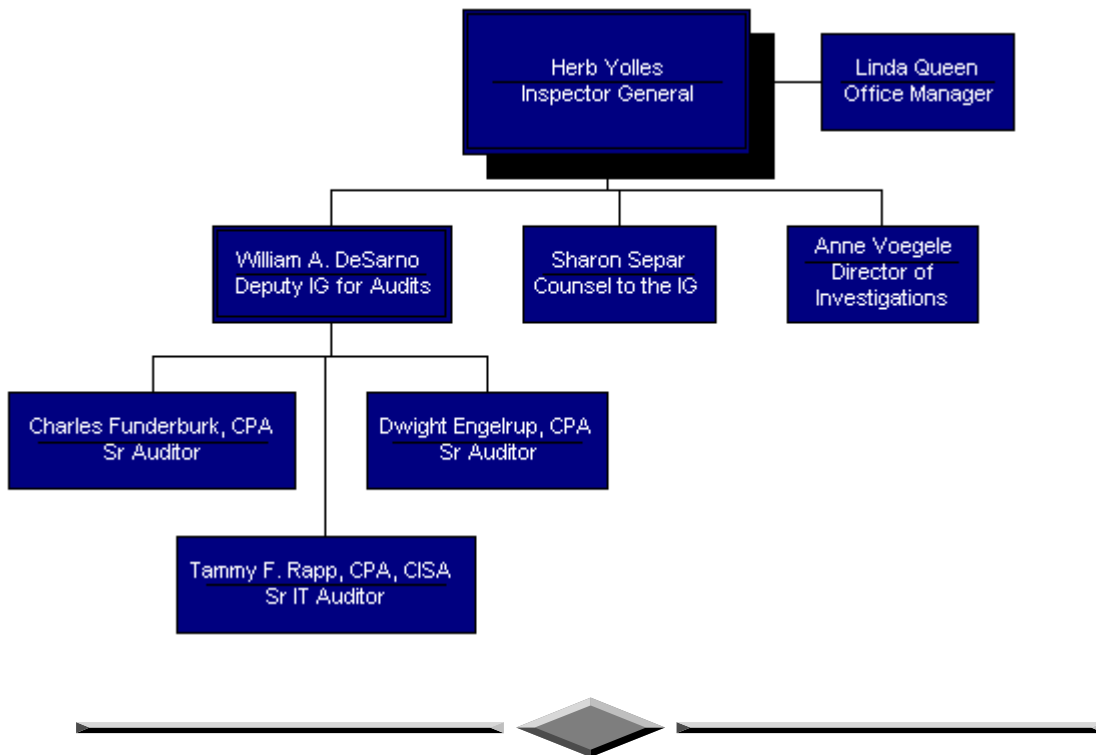


OFFICE OF THE INSPECTOR GENERAL

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

**Independent Evaluation of
NCUA's Information Security Program
OIG-04-05 September 30, 2004**

The Federal Information Security Management Act (FISMA) permanently reauthorized the framework laid out in the Government Information Security Reform Act of 2000 (GISRA) which expired in November 2002. FISMA continues annual review and reporting requirements introduced in GISRA.

During 2004, the OIG engaged Cotton & Company LLP to conduct an independent evaluation of NCUA's information systems (IS) and security program and controls for compliance with FISMA, Title III of the E-Government Act of 2002, and Office of Management and Budget (OMB) Circular A-130, Appendix III. This report discusses the effectiveness of IS controls to protect and secure NCUA's information technology (IT) infrastructure and assets.

The report notes that the Chief Information Officer (CIO) made progress during the past year to improve NCUA's IT infrastructure. During 2004, NCUA completed an interim certification and accreditation of its general support system; completed and updated several plans and risk assessments; and, identified and reported 114 weaknesses in the NCUA Plans of Action and Milestones report. Of the 114 items, 60 were completed, 38 have milestones or completion dates, 8 were delayed, the CIO made risk based decisions to accept risk on 6, and 2 continue to be identified as significant deficiencies for this year's FISMA reporting cycle.

Two significant deficiencies carried over from last year's independent evaluation still have not been fully addressed. First, we determined that information stored on examiner's laptop computers has not been addressed as part of NCUA's information security program. We noted that NCUA has taken some measures to protect information on examiners laptops. However, a formal review of the risks involved and protections necessary to address these risks has not been conducted. This could result in the intentional or accidental release of credit union member information.

Second, we noted several weaknesses related to the underlying general support systems and network components. This is significant because every application relies on the security of the operating system and network infrastructure on which it resides. NCUA's general support system is operating under an interim accreditation based on several weaknesses identified during the formal certification process. The general support system is operating at medium to high risk because NCUA has not corrected or accepted risk on weaknesses identified during the interim certification.

While we noted other weaknesses in IT controls, we concluded the two conditions described above are the most significant to NCUA.

**OIG Report to OMB on NCUA Compliance With
The Federal Information Security Management Act 2004
OIG-04-06 September 30, 2004**

This report contains a summary of our evaluation of the NCUA's information security program presented in the OMB prescribed format.

The OIG issued two reports during the past year that reported on the testing of the effectiveness of information security and internal controls:

- On September 30, 2004 the OIG issued a report containing an Independent Evaluation of the NCUA's Information Security Program - 2004. The content of the independent evaluation report supports the conclusions presented in this report.
- On March 31, 2004, the OIG issued the Financial Statement Audit Report for the year ended December 31, 2003. The purpose of this audit was to express an opinion on whether the financial statements were fairly presented. In addition, the internal control structure was reviewed and an evaluation of compliance with laws and regulations was performed as part of the audit. The result of this audit was an unqualified opinion, stating that the financial statements were presented fairly. Although there were no material weaknesses identified during the review of the internal control structures pertinent to financial reporting, nine recommendations were made relating to weaknesses in the area of information security.

AUDITS IN PROGRESS

Review of The King Street Station Parking Garage

The NCUA Chief Financial Officer (CFO) expressed concern to the Inspector General that revenue reports for the parking garage had shown a declining net income trend over the past 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 declining income trend for parking revenue was valid; (2) assess internal controls over the parking garage income and expenses; (3) determine whether NCUA was receiving its correct share of parking garage net income; and (4) review the reasonableness and current applicability of the parking garage contracts and agreements.

We have completed our review and the draft report has been sent to the agency and contractors for comment. We expect to issue the final report by the end of November 2004.

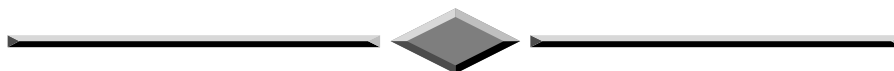
Review of NCUA's Supervision of State Chartered Credit Unions

The objective of this review is to evaluate how NCUA supervises and monitors federally insured, state chartered credit unions. 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.

We have completed audit work on this assignment and have begun drafting the report.

SIGNIFICANT AUDIT RECOMMENDATIONS ON WHICH CORRECTIVE ACTION HAS NOT BEEN COMPLETED

As of September 30, 2004, there was one significant audit recommendation in reports issued over six months ago that has not been either fully implemented or in the process of implementation. On September 12, 2003, the OIG recommended that NCUA develop and implement a security policy covering the sensitive credit union member data residing on examiners laptop computers and other electronic media to ensure an acceptable level of protection of this data comparable to NCUA's regulations governing credit unions. As of September 30, 2004, NCUA has not committed to implementation of this recommendation.



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. 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.

Part of the OIG's strategy for promoting employee integrity includes both proactive and reactive investigative projects designed to provide the agency with essential information to be used in setting policy. During this reporting period, the OIG initiated a proactive review of potential employee misuse of government-issued computers to access and view internet pornography. The review revealed that a number of employees were accessing pornographic websites. However, the agency's Chief Information Officer (CIO) informed us that the number of employees identified by our review was likely not an overall representation of actual employee activity, because many employees access the internet from remote sites, and are able to do so without detection by the NCUA system. As a result of the review, the OIG opened formal investigations on five individuals identified by the system as having frequently engaged in inappropriate internet activity during business hours. All five individuals acknowledged viewing pornography while at work, although in two cases the employees claimed that the inappropriate internet activity was the result of opening pop-ups which appeared during otherwise authorized internet activity. In two cases, employees acknowledged long term and egregious use of the internet to surf pornography. The most egregious case involved a senior level employee who retired as a result of the investigation. The OIG review found that the agency had in place a very clear policy prohibiting employees from accessing adult web sites. Additionally, the Office of the Chief Information Officer implemented blocking software to aid in reducing further employee misconduct. The OIG recommended that the agency establish a process for periodically assessing employee compliance with the existing policy.

Investigative Operations	
Matters/inquiries/investigations carried forward from previous reporting period	4
Matters initiated during reporting period	9
Matters closed	7
Investigative reports issued	6
Investigative Subpoenas issued	1
Matters referred back to the agency	1
Management Implication Reports issued	0
Matters remaining open	6

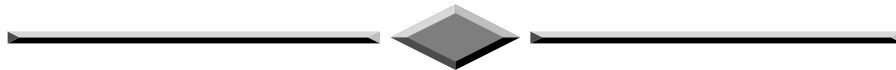
CLOSED INVESTIGATIONS

During this reporting period, we closed seven (7) matters. Six (6) matters (5 investigative reports and 1 memorandum report) involved, as reported above, employee misuse of government-issued computers for the purpose of accessing and viewing internet pornography. In addition to the individual who retired as a result of the investigation, the agency is currently considering appropriate action in the other cases.

One (1) investigation, involving possible contract fraud, was closed to file as no evidence of misconduct was developed.

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

The OIG issued one (1) IG subpoena during this reporting period.



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 19 items, including proposed and final changes to legislation, regulations, and agency Instructions, Manuals and Bulletins. While the OIG provided comments on agency instructions regarding travel policy changes; processing complaints against credit unions and documenting compliance violations; and prevention of sexual harassment, we had no comments or recommendations regarding NCUA’s proposed regulatory changes.

SUMMARY OF STATUTES AND REGULATIONS REVIEWED	
Legislation	Title
S. 2868	“International Remittance Consumer Protection Act of 2004”
Regulations/Rulings	Title
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

Instructions/Bulletins	Title
Personnel Manual Chapter 10	“Hours of Work”
Bulletin No. 1201.06B	“Daily Time Log for Non-Bargaining Unit Employees”
Bulletin No. 1201.07b	“Interim Changes to Supervisory Examiner and Corporate Supervisory Examiner Time Reporting Process”
Instruction No. 12400.05	“Processing Complaints against Credit Unions and Documenting Compliance Violations”
Instruction No. 1200.13B	“Administrative Leave for Federal Employees Returning from Active Military Duty”
Instruction No. 1401	“NCUA Travel Policies and Guidelines”
Instruction No. 1235.2	“Prevention of Sexual Harassment”

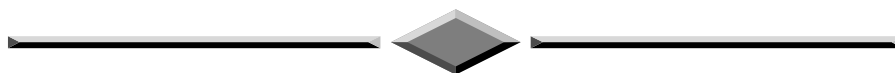


TABLE I

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

SUMMARY OF OIG ACTIVITY APRIL 1, 2004 THROUGH SEPTEMBER 30, 2004		
PART I – AUDIT REPORTS ISSUED		
Report Number	Title	Date Issued
OIG-04-05	Independent Evaluation of NCUA’s Information Security Program 2004	9/30/2004
OIG-04-06	OIG Report to OMB on NCUA’s Compliance with the Federal Information Security Management Act 2004	9/30/2004
PART II – AUDITS IN PROGRESS (as of September 30, 2004)		
	Review of the King Street Station Parking Garage	
	Review of NCUA’s Federally Insured State Chartered Credit Union Program	

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.	12
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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