



Semiannual Report to Congress

October 1, 2025 – March 31, 2026

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A Message from the Inspector General

On behalf of the Office of Inspector General (OIG) of the National Credit Union Administration (NCUA), I am pleased to present our Semiannual Report to Congress highlighting our accomplishments and ongoing work for the 6-month period ending March 31, 2026. Our work reflects the legislative mandate of the Inspector General Act to promote the economy, efficiency, and effectiveness of NCUA programs and operations, and protect against fraud, waste, and abuse. The audits and investigations highlighted in this report demonstrate our commitment to that mandate.

In the audit area, we issued a report on the NCUA's Information Technology Asset Sanitization Process, which is described later in this report. Management timely responded to the recommendations made in the report and identified actions to implement them. We also oversaw the financial statement and Federal Information Security Modernization Act (FISMA) audits and issued a management challenges memorandum.

In the investigative area, a former NCUA supervisory examiner, whom we investigated in a prior reporting period, was charged with theft and entered into a pre-trial diversion agreement that resulted in his paying restitution to the NCUA and being prohibited from working in a financial institution. The investigation involved relocation fraud. We continued to work on four additional investigations opened in prior periods.

I appreciate the support for our office by Chairman Hauptman and management and look forward to continuing to work with the NCUA in our ongoing efforts to fulfill our statutory mandate.

Marta Erceg
Acting Inspector General

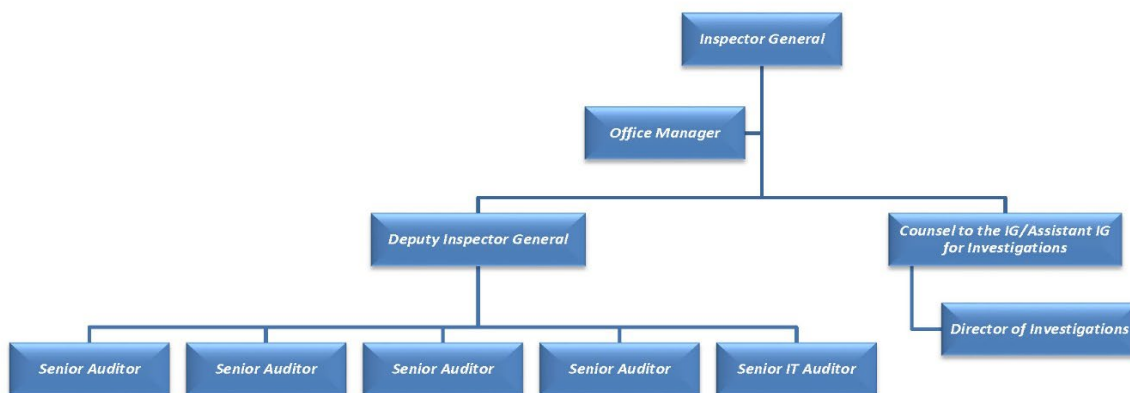


Office of Inspector General

The Office of Inspector General (OIG) was established at the NCUA in 1989 pursuant to an amendment of the Inspector General Act of 1978. The Inspector General reports to and is under the general supervision of the NCUA Board. The OIG is responsible for conducting, supervising, and coordinating audits and investigations relating to NCUA programs and operations; recommending policies for and conducting other activities for the purpose of promoting economy and efficiency in the administration of, or preventing fraud and abuse in, NCUA programs and operations; reviewing existing and proposed legislation and regulations to evaluate their impact on the economic and efficient administration of, or the prevention and detection of fraud and abuse in, NCUA programs and operations; and keeping the NCUA Board and the Congress informed of fraud and other serious problems, abuses, and deficiencies, and recommending corrective actions and the NCUA's progress in implementing the corrective actions.

During this reporting period, the OIG had seven employees: Counsel to the Inspector General/Assistant Inspector General for Investigations (acting as Inspector General), Senior Information Technology Auditor (acting as Deputy Inspector General), Director of Investigations, three Senior Auditors, and an Office Manager. The chart below represents the OIG's authorized positions, three of which are vacant (Inspector General, Deputy Inspector General, and Senior Auditor).

NCUA OIG ORGANIZATIONAL CHART





Audit Activity

Audit Reports Issued

OID-25-09 Audit of the NCUA's Schedule of Accounts Receivable, Net (other than Intragovernmental) and other Taxes and Receipts, issued November 14, 2025

We contracted with and conducted oversight of the independent accounting firm KPMG to conduct the audit of the NCUA's schedule of investments, accounts receivables, net (other than intragovernmental), and other taxes and receipts as of September 30, 2025, and the related notes. The schedule was prepared for the purpose of providing financial information to the U.S. Department of the Treasury and the U.S. Government Accountability Office (GAO) to use in preparing and auditing the Financial Report of the U.S. Government, which included: (1) an opinion on the schedule, (2) an assessment of internal controls over financial reporting specific to the schedule, and (3) an assessment of compliance and other matters specific to the schedule. KPMG issued an unmodified audit opinion with no reportable findings.

OID-25-10 Audit of the NCUA's Information Technology Asset Sanitization Process, issued December 17, 2025

We conducted this self-initiated audit to determine whether the NCUA adequately managed and sanitized its IT assets before disposal or reuse. Our audit determined that the NCUA adequately sanitized its IT assets before disposal or reuse. However, we determined the NCUA should make improvements to its IT asset accountability process because the process did not include a clear chain of custody and other controls. We made three recommendations in our report. The NCUA plans to take corrective action to address the issues we identified.

OID-26-01/02/03/04 FY 2025 Financial Statement Audits (SIF, OF, CLF, CDRLF), issued February 13, 2026

We contracted with and supervised KPMG to conduct the NCUA 2026 financial statement audits of the Share Insurance Fund (SIF), the Operating Fund (OF), the Central Liquidity Facility (CLF), and the Community Development Revolving Loan Fund (CDRLF).

The Share Insurance Fund is a revolving fund managed by the NCUA Board to insure member share deposits in all federal credit unions and state credit unions that are



federally insured. The fund's total assets for 2025 were \$24.1 billion, an increase of \$1,766,559 (7.9%) from 2024. KPMG issued an unmodified audit opinion on the Share Insurance Fund's financial statements (OIG-26-01).

The Operating Fund 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 fund's total assets for 2025 were \$185.5 million, down from \$187.6 million in 2024. KPMG issued an unmodified audit opinion on the Operating Fund's financial statements (OIG-26-02).

The CLF 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 CLF's total assets for 2025 were \$1,022.2 million, up from \$978.2 million in 2024. KPMG issued an unmodified audit opinion on the CLF's financial statements (OIG-26-03).

The CDRLF was established to stimulate economic activities in the communities served by low-income credit unions. The CDRLF's total assets for 2025 were \$24.4 million, up from \$23.1 million in 2024. KPMG issued an unmodified audit opinion on the CDRLF's financial statements (OIG-26-04).

Audits in Progress

Audit of the NCUA's Enterprise Risk Management (ERM) Risk Profiles

OMB Circular A-123 provides that ERM is an agency-wide approach to addressing the full spectrum of the agency's external and internal risks by understanding the combined impact of risks as an interrelated portfolio, rather than addressing risks only within silos. ERM provides an enterprise-wide, strategically aligned portfolio view of organizational challenges that provides better insight into how to most effectively prioritize resource allocations to ensure successful mission delivery. While agencies cannot respond to all risks related to achieving strategic objectives and performance goals, they must identify, measure, and assess risks related to mission delivery.

The NCUA is exposed to a variety of risks related to its mission and operations, including in its regulation and supervision of over 4,000 federally insured credit unions. Through its ERM program, the agency expects to manage risks to achieving its mission and maximizing opportunities. ERM should address the full spectrum of risks related to achieving the NCUA's strategic objectives and provide agency leadership with a complete view of risk to help inform decision making.



We are conducting this self-initiated audit to determine whether the NCUA adequately established, maintained, and used risk profiles to address enterprise-level risks.

Audit of the NCUA's Field Employees' Duty Station and Work Activities

NCUA employees work in the NCUA's Headquarters or in at various locations in its Regions. An employee's official duty station and associated locality pay are listed on their SF-50. For field employees, the official duty station is the geographic limits of the official duty station designated on the SF-50. Field employees are considered mobile workers whose work is characterized by routine and regular travel to conduct work as opposed to a single authorized worksite. In addition to affecting locality pay, a field employee's official duty station affects travel reimbursement.

On August 9, 2023, NCUA management issued a memorandum and job aid titled "Field Staff Travel Time and Reimbursement Related to the Assigned Official Duty Station" to provide additional clarification regarding the NCUA's travel and commuting policies for field employees, including that field employees are generally expected to live in their official duty station or within reasonable proximity to the official duty station. Management issued this memorandum and job aid because a field employee's residence affects travel reimbursement if they live more than 40 miles from their official duty station and to make clear that an employee's residence is where they live and receive mail daily, and that vacation homes, other family residences, and post office boxes not associated with a physical address were not acceptable alternatives.

We are conducting this self-initiated audit to determine whether the NCUA consistently followed laws, regulations, policies, and procedures in the assignment of a field employees' official duty station, locality pay, and reimbursement for travel.

Audit of the NCUA's Travel Card Program

The Travel and Transportation Reform Act of 1998 (Public Law 105-264) mandates that federal employees use the travel charge card for all payments of expenses related to official government travel, unless exempted by the employing agency or the General Services Administration (GSA). The GSA provides charge card services to the entire federal government under a contract, currently the SmartPay 3 contract.

The Government Charge Card Abuse Prevention Act of 2012 requires agency officials to establish and maintain internal controls to ensure the proper use of travel charge cards. In addition, the Act requires that the agency's OIG perform periodic analyses or audits, as



necessary, of travel card transactions designed to identify potentially illegal, improper, or erroneous uses of travel cards, and any patterns of such uses. OMB Circular A-123, Appendix B establishes standard minimum requirements and best practices for government charge card programs that may be supplemented by individual agency policies and procedures. The NCUA requires employees' use of travel cards to comply with its travel program policies, the Travel Card Manual, and Public Law 105-264.

We are conducting this self-initiated audit to determine whether the NCUA's travel card policies and procedures are effective in preventing and detecting illegal, improper, or erroneous purchases and payments.

FY 2026 Independent Audit of the NCUA's Compliance with the Federal Information Security Modernization Act (FISMA) of 2014

The Federal Information Security Modernization Act of 2014 requires federal agencies, among other things, to develop, document, and implement an agency-wide information security program to protect their information and information systems, including those provided or managed by another agency, contractor, or other source.

Federal agencies must undergo an annual independent evaluation of their information security program and practices.

We contracted with and are providing oversight over the independent public accounting firm Sikich LLC to independently evaluate the NCUA's information security program. The objective of this performance audit is to assess the NCUA's compliance with FISMA and agency information security and privacy practices, policies, and procedures; and the effectiveness of the NCUA's information security program and practices.

Material Loss Reviews (MLR)

The Federal Credit Union Act requires the OIG to conduct an MLR of an insured credit union if the loss to the Share Insurance Fund exceeds \$25 million and an amount equal to 10 percent of the total assets of the credit union at the time in which the NCUA Board initiated assistance or was appointed liquidating agent pursuant to the Act. When losses exceed this materiality threshold, we review the loss to: (1) determine the cause(s) of the credit union's failure and the resulting loss to the Share Insurance Fund; and (2) assess the NCUA's supervision of the credit union. During this reporting period, the Share Insurance Fund had no losses exceeding the materiality threshold.



Non-Material Loss Reviews

For any loss to the Share Insurance Fund that does not meet the material loss threshold, the Federal Credit Union Act requires the OIG to conduct limited-scope reviews to determine the grounds identified by the Board or the State official having jurisdiction over a State credit union for appointing the Board as the liquidating agent for any Federal or State credit union and whether unusual circumstances exist related to the loss that would warrant conducting an in-depth review. For the current reporting period, three failed credit unions caused losses to the Share Insurance Fund below the threshold. We are conducting limited-scope reviews of each of the three credit unions, which should be completed within 90 days of the 6-month reporting period ending March 31, 2026, to determine if an in-depth review is warranted. The credit unions are identified in the chart below.

LIMITED REVIEWS FOR CREDIT UNION LOSSES LESS THAN MATERIAL LOSS THRESHOLD				
<u>Credit Union</u>	<u>Region</u>	<u>Liquidation/ Merger Date</u>	<u>Est. Loss to Share Insurance Fund</u>	<u>NCUA Determination</u>
Team Financial Federal Credit Union	Southern	12/23/2025	\$699,321	Team Financial Federal Credit Union merged with Cy-Fair Federal Credit Union with cash assistance.
Teamsters Local 92 Federal Credit Union	Southern	12/29/2025	\$787,148	Teamsters Local 92 Federal Credit Union merged with Seven Seventeen Credit Union with cash assistance.
North Bay Credit Union	Western	03/02/2026	\$4,240,000	North Bay Credit Union merged with Corporate America Family Credit Union with cash assistance.



Other Reports

Top Management and Performance Challenges

The Inspector General is required by the Reports Consolidation Act of 2000, 31 U.S.C. § 3516, to provide an annual statement on the top management and performance challenges facing the agency and to briefly assess the agency's progress to address them. We identified the top challenges facing the NCUA for 2026 based on our past and ongoing work, our knowledge of the NCUA's programs and operations, and information from the U.S. Government Accountability Office and NCUA management and staff. In determining whether to identify an issue as a challenge, we consider its significance in relation to the NCUA's mission, its susceptibility to fraud, waste, or abuse, and the NCUA's progress in addressing the challenge.

We identified five top challenges facing the NCUA as follows: 1. Balance Sheet Management, 2. Redefining Regulatory and Supervisory Approaches, 3. Cybersecurity – Protecting Systems and Data, 4. Implementation of Artificial Intelligence, and 5. Agency Realignment.

Report on Charge Card Audit Recommendations

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) mandates that Inspectors General conduct periodic risk assessments of agency purchase and travel cards to develop a plan to determine the scope, frequency, and number of Inspector General audits or reviews of agency purchase and travel cards. The Charge Card Act also mandates that Inspectors General report to the Director of the Office of Management and Budget (OMB) on agency progress in implementing audit recommendations. We issued a letter stating that in 2025, we did not issue any reports with recommendations related to the NCUA's charge card programs and that there were no open recommendations to close.



Significant Recommendations on Which Corrective Action Has Not Been Completed

Following is a list of OIG reports with significant unimplemented recommendations as of March 31, 2026. NCUA management previously agreed to implement corrective actions but had not completed those actions.

Open Significant Recommendations and Brief Summary

1. **OIG-24-01** *Audit of the NCUA's Cloud Computing Services*, issued February 12, 2024, recommendation #1. Finalize and implement a comprehensive formalized enterprise-wide cloud computing strategy that, at minimum, addresses the following:
 - Alignment with federal guidance and directives such as Cloud Smart and Executive Order 14028.
 - Prioritization of the use of FedRAMP-authorized systems.
 - Identification of workforce requirements needed to support cloud procurement, implementation, and risk management.
 - Management of risks related to the use of cloud computing services such as secure cloud architecture, data governance, and incident management processes.

Status: Open. Management stated that a comprehensive enterprise cloud strategy that aligns with the elements outlined in the audit recommendation has been developed and is pending approval.

2. **OIG-24-09** *Audit of the NCUA's Federal Chartering Process*, issued November 6, 2024, recommendation #1. Develop a centralized system and institute a phone log system to modernize and streamline the chartering application process.

Status: Open. In December 2024, the NCUA Board approved \$2 million to develop an online chartering system. Management launched phase 1 of the online system for new charter applications on March 26, 2026. Phase 1 focuses on the NCUA's approval of a proposed credit union's field of membership. The new system will track communication between the new charter organizers and NCUA coordinators and allow for ongoing communications throughout the chartering process. NCUA expects to complete all phases and release a fully automated system for processing charter applications in 2027.



3. **OIG-25-08** *NCUA Federal Information Security Modernization Act of 2014 Audit—Fiscal Year 2025*, issued August 20, 2025, recommendation #4. Implement baseline compliance monitoring for routers, switches, and firewalls on the NCUA network. This includes documenting deviations from the configuration baselines and providing business justifications for these deviations.

Status: Pending closure. Management indicated that settings have been implemented, verified, and documented. FISMA recommendations are validated for closure during the annual FISMA audit that is currently ongoing.

Summary of Audit Reports Over 6 Months Old with Unimplemented Recommendations

Following are summaries of 8 OIG audit reports over 6 months old that have a total of 21 unimplemented recommendations as of March 31, 2026. For each of these reports, NCUA management agreed to implement corrective actions but had not completed those actions. This information was supplied by the NCUA's Office of the Executive Director and is monitored within the OIG's report recommendation tracking system.

Report Summary and Unimplemented Recommendations

1. **OIG-21-09** *NCUA Federal Information Security Modernization Act of 2014 Audit—Fiscal Year 2021*, issued November 22, 2021, Number of Open Recommendations Remaining: 1, Potential Cost Savings: \$0

The OIG made the following recommendation to assist the agency in improving the effectiveness of its information security and its privacy programs and practices.

Unimplemented Recommendation

Recommendation #1— Review the Supply Chain Risk Management (SCRM) National Institute of Standards and Technology (NIST) guidance and update the SCRM plan, policies, and procedures to fully address supply chain risk management controls and practices.

2. **OIG-23-05** *National Credit Union Administration Cybersecurity Audit* issued May 2, 2023, Number of Open Recommendations Remaining: 1, Potential Cost Savings: \$0



The OIG made the following recommendation to assist the agency in improving the effectiveness of cybersecurity controls related to its firewall and audit logging security technologies.

Unimplemented Recommendation

Recommendation #4 — Complete implementation of OMB M-21-31 to achieve past due Event Logging 1 and 2 maturity levels and to meet the Event Logging 3 maturity due by August 27, 2023.

3. **OIG-24-01** *Audit of the NCUA's Cloud Computing Services*, issued February 12, 2024, Number of Open Recommendations Remaining: 2, Potential Cost Savings: \$0

The OIG made the following recommendations to assist the agency in improving its operational and security risks of implemented cloud computing services.

Unimplemented Recommendations

Recommendation #1 — Finalize and implement a comprehensive formalized enterprise-wide cloud computing strategy that, at minimum, addresses the following:

- Alignment with federal guidance and directives such as Cloud Smart and Executive Order 14028.
- Prioritization of the use of FedRAMP-authorized systems.
- Identification of workforce requirements needed to support cloud procurement, implementation, and risk management.
- Management of risks related to the use of cloud computing services such as secure cloud architecture, data governance, and incident management processes.

Recommendation #2 — Develop and implement policies, procedures, and standards that are consistent with the NCUA's cloud computing strategy and address, at minimum, the following:

- Coordination, identification, and clarification of responsibilities and processes across all stakeholders for IT service contract reviews, service-level agreements alignment and monitoring, and cloud service incident management.



- Specific criterion for the prioritization, selection, and use of cloud computing services.
- Periodic review of contract clauses included for cloud computing services to confirm documentation supporting security requirements are clearly identified to the vendor and security and operational risks are appropriately managed.

4. **OIG-24-06** *Audit of the NCUA's Bank Secrecy Act Enforcement Program*, issued May 30, 2024, Number of Open Recommendations Remaining: 1, Potential Cost Savings: \$0

The OIG made the following recommendation to assist the agency in improving its enforcement of the Bank Secrecy Act.

Unimplemented Recommendation

Recommendation #4 — Revise the NCUA's Enforcement Manual to include current policies, procedures, and responsibilities for the NCUA's formal enforcement actions and ensure its content is consistent with other NCUA policies. Regularly review this guidance for continued relevance and effectiveness in achieving the agency's objectives.

5. **OIG-24-08** *NCUA Federal Information Security Modernization Act of 2014 Audit—Fiscal Year 2024*, issued September 12, 2024, Number of Open Recommendations Remaining: 2, Potential Cost Savings: \$0

The OIG made the following recommendations to assist the agency in improving the effectiveness of its information security and privacy programs and practices.

Unimplemented Recommendations

Recommendation #1 — Conduct refresher training for the property custodians regarding documenting and maintaining asset management system records in accordance with NCUA policy and procedures.

Recommendation #2 — Update the accountable property policy to implement a process for the (PMO) property management officer to complete a periodic review of the IT asset inventory to validate that the inventory is documented and maintained in accordance with NCUA policy and procedures.



6. **OIG-24-09** *Audit of the NCUA's Federal Chartering Process*, issued November 6, 2024, Number of Open Recommendations Remaining: 1, Potential Cost Savings: \$0

The OIG made the following recommendation to assist the agency in improving its credit union chartering process.

Unimplemented Recommendation

Recommendation #1 — Develop a centralized system and institute a phone log system to modernize and streamline the chartering application process

7. **OIG-25-07** *Audit of the NCUA's Cyber Threat Information Sharing*, issued June 9, 2025, Number of Open Recommendations Remaining: 3, Potential Cost Savings: \$0

The OIG made the following recommendations to assist the agency in improving its processes to address cyber threat information sharing.

Unimplemented Recommendations

Recommendation #1 — Develop and finalize policies and procedures that address cyber threat information sharing.

Recommendation #2 — Formally establish and clarify operational roles and responsibilities across offices for cyber threat information sharing and any delegation of authorities to determine when issues must be escalated.

Recommendation #7 — Develop a process to assess credit unions' and other stakeholders' feedback on NCUA's cyber threat information sharing and update information sharing processes to reflect any necessary changes.

8. **OIG-25-08** *NCUA Federal Information Security Modernization Act of 2014 Audit—Fiscal Year 2025*, issued August 20, 2025, Number of Open Recommendations Remaining: 10, Potential Cost Savings: \$0

The OIG made the following recommendations to assist the agency in improving the effectiveness of its information security and privacy programs and practices.



Unimplemented Recommendations

Recommendation #1 — Document policies and procedures for developing and maintaining current and target cybersecurity profiles that include, at minimum, consideration of the NCUA's mission objectives, threat landscape, and resources (including personnel) and constraints.

Recommendation #2 — Create and maintain current and target cybersecurity profiles including a gap analysis that identifies differences between the current and target state that consider anticipated changes in the NCUA's cybersecurity posture.

Recommendation #3 — Update and maintain the comprehensive inventory of data and the corresponding metadata to meet the requirements of the Open Government Data Act and OMB Memorandum M-25-05 by the established September 2026 deadline.

Recommendation #4 — Implement baseline compliance monitoring for routers, switches, and firewalls on the NCUA network. This includes documenting deviations from the configuration baselines and providing business justifications for these deviations.

Recommendation #5 — Improve processes to ensure that the NCUA remediates workstation vulnerabilities within agency-required timelines, including monitoring for workstations that have been disconnected from the network for an extended period of time.

Recommendation #6 — Develop and implement procedures to remediate vulnerabilities for the (b) (7)(E) within NCUA timeline requirements that fall outside of the (b) (7)(E) monthly patching schedule.

Recommendation #7 — Coordinate with the (b) (7)(E) to upgrade the (b) (7)(E) software or document any risk-based decisions, including compensating controls.

Recommendation #8 — Conduct a review of all current (b) (7)(E) privileged user accounts to ensure that the NCUA has documented access requests and approvals for each privileged user account, as required by NCUA policies and procedures.

Recommendation #9 — Validate that the NCUA completes quarterly account reviews for the (b) (7)(E) and (b) (7)(E) systems.



Recommendation #10 — Implement automatic disabling of privileged (b) (7)(E) user accounts upon 30 days of inactivity or document any risk-based decisions, including compensating controls.

Recommendations for Corrective Action Made During the Reporting Period

During the reporting period, the OIG issued the following one audit report with a total of three recommendations for corrective action to improve the effectiveness of the NCUA's operations.

OIG-25-10 *Audit of the NCUA's Information Technology Asset Sanitization Process*, issued December 17, 2025, Number of Open Recommendations: 3, Potential Cost Savings: \$0

Recommendation #1 — Update and implement the Accountable Property Handbook to address returning IT assets that requires a secure chain of custody process, including IT assets subject to litigation holds.

Recommendation #2 — Update the offboarding procedures to include instructions to employees to ensure exiting employees return their IT assets in accordance with the updated Accountable Property Handbook.

Recommendation #3 — Improve the IT asset accountability process going forward to include historical IT asset tracking by employee and by addressing and implementing data access procedures for returned cell phones on litigation holds.



Peer Reviews

Government Auditing Standards require audit organizations that perform audits and attestation engagements of federal government programs and operations undergo an external peer review every 3 years. The objectives of an external peer review include a review of an audit organization’s system of quality control to determine the suitability of its design and whether the audit organization is following the quality control system so as to provide reasonable assurance the audit organization conforms to applicable professional standards.

External Peer Review of the NCUA OIG, Office of Audit

During this reporting period, the Smithsonian OIG completed our most recent peer review on March 27, 2025, for the 3-year period ending September 30, 2024. The Smithsonian OIG issued its report entitled System Review Report and rendered the opinion that the system of quality control for the OIG, Office of Audit, was suitably designed and complied with, thus providing reasonable assurance that the system of controls conformed with applicable professional standards in all material respects. As a result, we received a peer rating of Pass. See Appendix A for a copy of the System Review Report.

External Peer Review of the Library of Congress OIG, Office of Audit

During this reporting period, we conducted a peer review of the audit organization of the Library of Congress OIG and issued a report for the 3-year period ending March 31, 2025. The Library of Congress OIG audit organization received a rating of Pass and has no outstanding recommendations related to the peer review report.



Investigative Activity

In accordance with professional standards and guidelines established by the U.S. Department of Justice and the Council of the Inspectors General on Integrity and Efficiency (CIGIE), the OIG’s Office of Investigations (OI) conducts investigations of criminal, civil, and administrative wrongdoing involving the agency’s programs, operations, and personnel. Our investigative mission is to fight fraud, waste, and abuse while promoting efficiency and economy within the NCUA and its programs and operations. In this regard, we investigate allegations of misconduct by NCUA employees, former employees, applicants, and contractors. Investigations examine possible violations of applicable federal laws and regulations as well as NCUA-specific policies.

We receive allegations through our electronic hotline form, email, phone, mail, and in person from NCUA and contractor personnel. We also receive complaints from credit union officials and their members regarding NCUA programs, employees, and contractors. We examine these complaints and determine if there is any indication of misconduct or wrongdoing by an NCUA employee or contractor. If not, we refer the complaint to the NCUA’s Office of Consumer Financial Protection (OCFP), the Office of General Counsel, or the appropriate regional office for response, or close the matter if contact with those offices indicates that the matter already was appropriately handled. Harassment allegations are addressed by the NCUA’s Office of Ethics Counsel and the Office of Minority and Women Inclusion (for EEO complaints).

During this reporting period, OI continued to work on five investigations that we opened during a prior period. As the table below indicates, we referred one investigative subject for prosecution, and one criminal information was obtained during the reporting period.

Investigative Activity/Reports Issued During the Reporting Period	Total Number
(A) Investigative reports issued during the reporting period	0
(B) Persons referred to the Department of Justice for criminal prosecution during the reporting period	1
(C) Persons referred to state and local prosecuting authorities for criminal prosecution during the reporting period	0



Investigative Activity/Reports Issued During the Reporting Period	Total Number
(D) Indictments and criminal information during the reporting period that resulted from any prior referral to prosecuting authorities	1

Regarding the information provided in the table above, OI maintains a manual case tracking system. If investigative allegations involve a named suspect, then cases are designated and tracked by subject name. Cases referred to federal, state, or local prosecuting authorities for criminal prosecution are also designated, referred, and tracked by subject name, if known. In cases where the subject is unknown, OI uses a subject matter title to designate, track, and, as appropriate, refer cases.

Investigations

OI completed one investigation involving a senior government employee during the reporting period, described below.

Relocation Fraud

On December 1, 2025, Donald E. Thomas, a former NCUA supervisory examiner (CU-15), was charged in the United States District Court for the Western District of Kentucky with Theft from the NCUA under 18 U.S.C. § 657. Thomas received living and moving expenses from the NCUA to relocate to Orlando, Florida, but in reality, moved to Louisville, Kentucky. Also on December 1, 2025, Thomas entered into a pretrial diversion agreement that resulted in him repaying the NCUA approximately \$115,000. On January 12, 2026, the pretrial diversion agreement was filed in court. As a result of the charges and pretrial diversion agreement, Thomas is prohibited from working at or participating in the affairs of any federally insured depository institution. Thomas previously resigned from the NCUA on August 30, 2024. The matter will not be closed by our office until after the 18-month pretrial diversion period has concluded. OI conducted the investigation jointly with the FBI.

Whistleblower Retaliation

We did not receive any complaints of whistleblower retaliation during the reporting period.



Attempts to Interfere with IG Independence

There were no attempts on the part of management to interfere with IG independence, including restricting communication between the OIG and Congress or using budgetary constraints designed to limit the capabilities of the OIG. Moreover, there have been no incidents where the NCUA resisted or objected to OIG oversight activities. There have also been no restrictions or delays in our access to agency information.

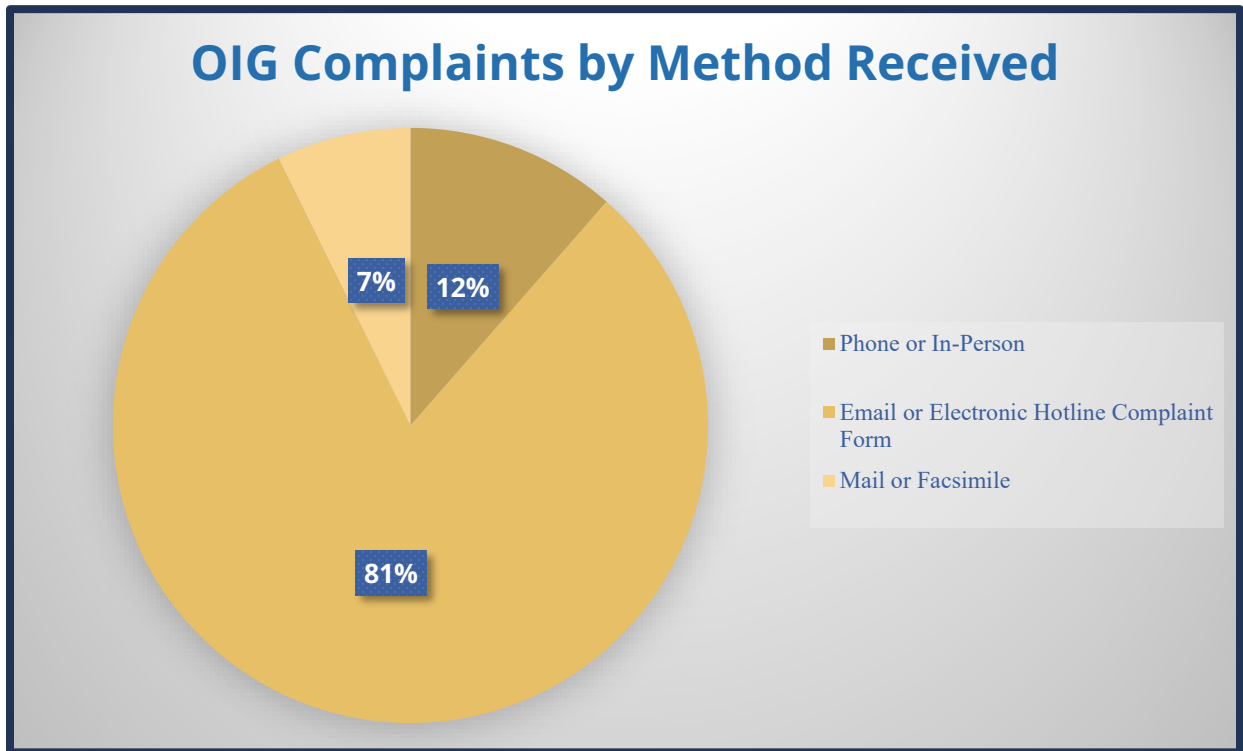
Administrative False Claims Act

The OIG did not investigate any cases under the Administrative False Claims Act and did not make any reports to the NCUA under the Act.

OIG Hotline and FOIA Requests

The OIG maintains a 24-hour toll-free hotline to enable employees and citizens to call in and provide information about suspected fraud, waste, and abuse, or mismanagement involving agency programs or operations and an online hotline portal on the OIG's webpage. Additionally, the OIG receives complaints from an off-site post office box, electronic mail, facsimile messages, and in person. An electronic hotline complaint form is located on the NCUA intranet for confidential employee and contractor communication with the OIG. Our Office Manager, under the direction of the Director of Investigations, administers the OIG hotline program.

During this 6-month period, we processed 96 hotline complaints. This number does not reflect consumers seeking assistance with problems encountered with their respective credit unions. We referred most of those complaints to the OCFP's Consumer Assistance Center for action. OIG also responded to nine Freedom of Information Act requests during the reporting period.



Complaints by Method Received	Number
Mail or Facsimile	7
Phone or In-Person	11
Email or Electronic Hotline Complaint Form	78
Total:	96



Reviews of Legislation, Regulations, and Policies

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. OIG reviewed the legislation and NCUA regulations listed below. In addition, the OIG reviewed executive orders and related guidance. The NCUA proposed changing or removing regulations it considered obsolete, duplicative, intended to serve as guidance, not requirements, or overly burdensome. In addition, the NCUA issued a new regulation, Prohibition on Use of Reputation Risk, pursuant to Executive Order 14331, Guaranteeing Fair Banking for All Americans.

List of Legislation and Regulations Reviewed

Legislation	Title
Pub. L. 119-77	Ending Improper Payments to Deceased People Act
S. 3687	Inspector General Independence Act
Regulations	Title
12 C.F.R. Parts 702 and 791	Prohibition on Use of Reputation Risk
12 C.F.R. 748 Appendix A and B	Safeguarding Member Information
12 C.F.R. Part 715	Supervisory Committee Audits and Verifications
12 C.F.R. 704.8 and 704.15	Corporate Credit Unions
12 C.F.R. 748.1(b)	Catastrophic Act Reporting
12 C.F.R. 740.0 and 740.5	Accuracy of Advertising and Notice of Insured Status
12 C.F.R. 701.25(b)	Limits on Loans to Other Credit Unions
12 C.F.R. 701.209(c)(3) and 701.20(d)	Suretyship and Guaranty
IRPS 11-2	Federal Corporate Credit Union Chartering
IRPS 10-1	Community Chartering Policies
IRPS 08-2	Services to Underserved Areas
12 C.F.R. 701.31	Nondiscrimination Requirements



Legislation	Title
12 C.F.R. 701.33	Dependent Care and Board Member Expense Reimbursement
12 C.F.R. Part 741	Requirements for Insurance
12 C.F.R. Part 701	Public Unit and Nonmember Shares
IRPS 06-1	Organization and Operation of Federal Credit Unions
12 C.F.R. Part 708b	Mergers of Insured Credit Unions into Other Credit Unions
12 C.F.R. Part 708a	Conversion of Insured Credit Unions to Mutual Savings Banks
12 C.F.R. Part 706	Investments in and Licensing of Permitted Payment Stablecoins Issuers (GENIUS Act)
12 C.F.R. 701.39	Statutory Liens
12 C.F.R. 701.26	Credit Union Service Contracts
12 C.F.R. 701.24	Refund of Interest
12 C.F.R. 701.23	Purchase, Sale, and Pledge of Eligible Obligations
12 C.F.R. 701.21	Compensation in Connection with Loans to Members and Lines of Credit to Members
12 C.F.R. 701.4	Post-Election Training for New Board Members



Table I : Issued Reports with Questioned Costs

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 allowed.	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 of funds for the intended purpose is unnecessary or unreasonable.

Unsupported costs (included in "Questioned Costs") are those costs the OIG has questioned because of lack of adequate documentation at the time of the audit.



Table II: Issued Reports with Recommendations that Funds Be Put to Better Use

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.	0	\$0
(ii) Dollar value of recommendations not agreed to by management.	0	\$0
(D) For which no management decision was made by the end of the reporting period.	0	\$0
(E) Reports for which no management decision was made within six months of issuance.	0	\$0

Recommendations that funds 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 Audit Activity During the Reporting Period

Audit Reports Issued	Title	Date Issued
OIG-25-09	Audit of the NCUA's Schedule of Accounts Receivable, Net (Other Than Intragovernmental) and Other Taxes and Receipts as of September 30, 2025	11/13/2025
OIG-25-10	Audit of the NCUA's Information Technology Asset Sanitization Process	12/17/2025
OIG-26-01/02/03/04	FY 2025 Financial Statement Audits (SIF, OF, CLF, CDRLF)	2/13/2026

Table IV: Summary of OIG Audits in Progress (as of March 31, 2026)

Title
Audit of the NCUA's Enterprise Risk Management Risk Profiles
Audit of the NCUA's Field Employees' Duty Station and Work Activities
Audit of the NCUA's Travel Card Program



Index of Reporting Requirements of the Inspector General Act, 5 U.S.C. §§ 401-424

Section	Reporting Requirement	Page(s)
404(a)(2)	Review of legislation and regulations	22
405(b)(1)	Significant problems, abuses, and deficiencies	10
405(b)(2)	Recommendations for corrective action made during the reporting period	15
405(b)(3)	Significant recommendations on which corrective action has not been completed	9
405(b)(4)	Matters referred to prosecutive authorities	17
405(b)(5)	Summary of each report made to the agency head when instances where agency refused or failed to provide requested information	N/A
405(b)(6)	List of audit reports issued during the reporting period	25
405(b)(7)	Summary of significant reports issued during the reporting period	N/A
405(b)(8)	Statistical table on audit reports with questioned costs	23
405(b)(9)	Statistical table on audit reports with recommendations that funds be put to better use	24
405(b)(10)(A)	Summary of each audit report over six months old for which no management decision has been made	N/A
405(b)(10)(B)	Summary of each audit report over six months old for which no management comment was returned within 60 days	N/A
405(b)(10)(C)	Summary of each audit report over six months old for which there are unimplemented recommendations	10
405(b)(11)	Significant revised management decisions	N/A
405(b)(12)	Significant management decisions with which the OIG disagreed	N/A



Index of Reporting Requirements of the Inspector General Act, 5 U.S.C. §§ 401-424

Section	Reporting Requirement	Page(s)
405(b)(14)(A)(B)	Results of any peer review conducted during the reporting period, or if no peer review was conducted, a statement identifying the date of last peer review	16
405(b)(15)(16)	Peer reviews conducted by another OIG during the reporting period, and any outstanding recommendations from any current or prior peer review	28
405(b)(17)	Statistical table on investigative reports issued during the reporting period	17-18
405(b)(18)	Description of metrics used for developing the investigative report statistical table	17
405(b)(19)	Investigations conducted involving a senior Government employee	18
405(b)(20)	Detailed description of any instances of whistleblower retaliation	N/A
405(b)(21)	Detailed description of any attempt by the agency to interfere with the independence of the Office	N/A
405(b)(22)(A)	Detailed description of any inspection, evaluation, and audit that was closed and was not disclosed to the public	N/A
405(b)(22)(B)	Detailed description of any investigation involving a senior Government employee that was closed and was not disclosed to the public	N/A



System Review Report

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OFFICE OF THE INSPECTOR GENERAL



System Review Report

March 27, 2025

James W. Hagen
Inspector General
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Dear Mr. Hagen:

We have reviewed the system of quality control for the audit organization of the National Credit Union Administration Office of the Inspector General (NCUA OIG) in effect for the year ending September 30, 2024. A system of quality control encompasses NCUA OIG's organizational structure and the policies adopted and procedures established to provide reasonable assurance of conforming in all material respects with *Government Auditing Standards* and applicable legal and regulatory requirements.¹ The elements of quality control are described in *Government Auditing Standards*.

In our opinion, the system of quality control for the audit organization of NCUA OIG in effect for the year ending September 30, 2024, has been suitably designed to provide NCUA OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements in all material respects.

Audit organizations can receive a rating of pass, pass with deficiencies, or fail. NCUA OIG has received an External Peer Review rating of pass.

Monitoring of GAGAS Engagements Performed by Independent Public Accountants

In addition to reviewing its system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) related to NCUA OIG's monitoring of engagements conducted in accordance with generally accepted government auditing standards (GAGAS engagements) by independent public accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that monitoring of GAGAS engagements performed by IPAs is not an audit and, therefore, is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether NCUA OIG had controls to ensure IPAs performed contracted work in accordance with professional standards. Our objective was not to express an opinion; accordingly, we do not express an opinion on NCUA OIG's monitoring of work performed by IPAs.

¹ *Government Auditing Standards*, 2018 Revision (July 2018).

MRC 524
PO Box 37012
Washington DC 20013-7012
202.633.7050 Telephone
202.633.7079 Fax
www.si.edu/oig



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Letter of Comment

We have issued a letter dated March 27, 2025, that sets forth a finding that was not considered to be of sufficient significance to affect our opinion expressed in this report. We also made a comment related to NCUA OIG's monitoring of GAGAS engagements performed by IPAs, which we included in the above-referenced letter.

Basis of Opinion

Our review was conducted in accordance with *Government Auditing Standards* and CIGIE's *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*.²

During our review, we interviewed NCUA OIG personnel and obtained an understanding of the nature of NCUA OIG audit organization, and the design of NCUA OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected GAGAS engagements and administrative files to test for conformity with professional standards and compliance with NCUA OIG's system of quality control. The GAGAS engagements selected represented a reasonable cross-section of NCUA OIG's audit organization, with an emphasis on higher-risk engagements.

In performing our review, we obtained an understanding of the system of quality control for the NCUA OIG audit organization. In addition, we tested compliance with NCUA OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of NCUA OIG's policies and procedures on selected GAGAS engagements. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with NCUA OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion. Enclosure 1 to this report identifies the NCUA OIG engagements we reviewed.

Responsibilities and Limitation

NCUA OIG is responsible for establishing and maintaining a system of quality control designed to provide NCUA OIG with reasonable assurance that the organization and its personnel comply in all material respects with professional standards and applicable legal and regulatory requirements. Our responsibility is to express an opinion on the design of the system of quality control and NCUA OIG's compliance based on our review.

² CIGIE, *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General* (March 2020).



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There are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and may not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

Sincerely yours,

Signed by:

6E3A9C42718846B
Nicole L. Angarella
Inspector General

Enclosures - 2



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Enclosure 1

Scope and Methodology

We tested compliance with the NCUA OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 4 of 11 engagement reports conducted in accordance with generally accepted government auditing standards (GAGAS) issued from October 1, 2021, through September 30, 2024, as shown in Table 1. We also reviewed the internal quality control reviews performed by NCUA OIG.

Table 1. GAGAS Engagements Performed by NCUA OIG That Were Reviewed

Report Number	Report Date	Report Title
OIG-24-01	February 12, 2024	Audit of the NCUA's Cloud Computing Services
OIG-24-06	May 30, 2024	Audit of the NCUA's Bank Secrecy Act Enforcement Program
OIG-24-07	June 18, 2024	Audit of the NCUA's Examination Hours
OIG-23-06	May 16, 2023	Audit of the NCUA's Contracting Officer's Representative Program

In addition, we reviewed NCUA OIG's monitoring of GAGAS engagements performed by independent public accountants (IPA) where the IPA served as the auditor from October 1, 2021, through September 30, 2024, as shown in Table 2. During the period, NCUA OIG contracted for the audit of its agency's fiscal year 2023 financial statements. NCUA OIG also contracted for other GAGAS engagements that were performed in accordance with *Government Auditing Standards*.

Table 2. NCUA OIG's Monitoring File for Contracted GAGAS Engagement That Was Reviewed

Report Number	Report Date	Report Title
OIG-24-02/03/04/05	February 13, 2024	FY 2023 Financial Statement Audits (SIF, OF, CLF, CDRLF)

We visited NCUA OIG's headquarters located in Alexandria, VA.



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National Credit Union Administration

Enclosure 2

Office of Inspector General

March 26, 2025

Nicole L. Angarella
Inspector General
Smithsonian Office of Inspector General
Washington, D.C. 20013

Subject: System Review Report of the National Credit Union Administration Office of Inspector General Audit Organization

Dear Ms. Angarella:

We appreciate the work conducted by your staff in reviewing the quality control process for the audit function at the National Credit Union Administration Office of Inspector General. We agree with your opinion that the system of quality control for the audit function has been suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements in all material aspects. We have no additional comments on the final System Review draft report provided. Thank you for your efforts in completing this review.

Sincerely,

A handwritten signature in black ink, appearing to read 'James W. Hagen'.

James W. Hagen
Inspector General

1775 Duke Street – Alexandria, VA 22314-6113 – 703-518-6350



NCUA OIG
1775 Duke Street
Alexandria, VA 22314

The OIG's mission is to prevent, deter, and detect waste, fraud, abuse, and misconduct in NCUA programs and operations; and to promote economy, efficiency, and effectiveness at the agency.

To report allegations of waste, fraud, abuse, or misconduct regarding NCUA programs, employees, contractors, or contracts, please contact us via our [OIG Hotline | NCUA](#) or call 1-800-778-4806.

NCUA website | www.ncua.gov
Oversight.gov | www.oversight.gov