



**NCUA**  
National Credit Union Administration

OFFICE OF  
INSPECTOR GENERAL



# Semiannual Report to the Congress

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April 1, 2024 – September 30, 2024

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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 the NCUA Board and the Congress highlighting our accomplishments and ongoing work for the 6-month period ending September 30, 2024. Our work reflects the legislative mandate of the Inspector General Act of 1978, as amended, 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 cause as well as our goal of enhancing public confidence in the NCUA's regulatory process.

On the audit side, we issued reports on the NCUA's Cloud Computing Services, Bank Secrecy Act Enforcement Program, and Examination Hours. This work is described in detail later in this report.

On the investigative side, the Office of Investigations closed one investigation during the reporting period, continued to work on an investigation opened in the previous period, and opened three new investigations. As a result of an investigation completed in a prior period, the former CEO of FedStar Credit Union was sentenced during this reporting period. Our joint investigation of the former CEO related to her misapplying credit union funds for personal use and making false entries on a call report, which resulted in her pleading guilty to misapplication of credit union funds. On June 18, 2024, the former CEO received a sentence of 10 months of incarceration.

I would like to thank Chairman Harper, Vice Chairman Hauptman, and Board Member Otsuka for their sustained support of the OIG's work. As in the past, the NCUA Board and management are responsive to all OIG recommendations and strive to implement them expeditiously. I look forward to working with them in our ongoing efforts to promote economy and efficiency in agency programs and operations.

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

James W. Hagen  
Inspector General



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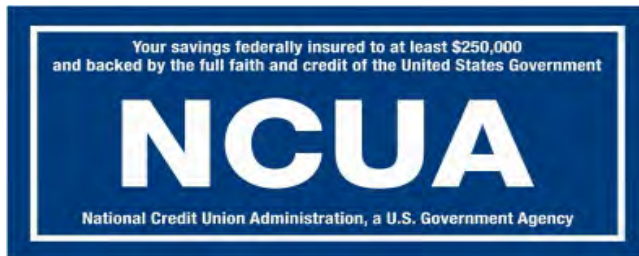
# The National Credit Union Administration

## Mission

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The National Credit Union Administration's (NCUA) mission is to protect the system of cooperative credit and its member-owners through effective chartering, supervision, regulation, and insurance.

The NCUA protects the safety and soundness of the credit union system by identifying, monitoring, and reducing risks to the National Credit Union Share Insurance Fund. Backed by the full faith and credit of the United States, the Share Insurance Fund provides up to \$250,000 of federal share insurance to millions of account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions.



## The Office of Inspector General Mission

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

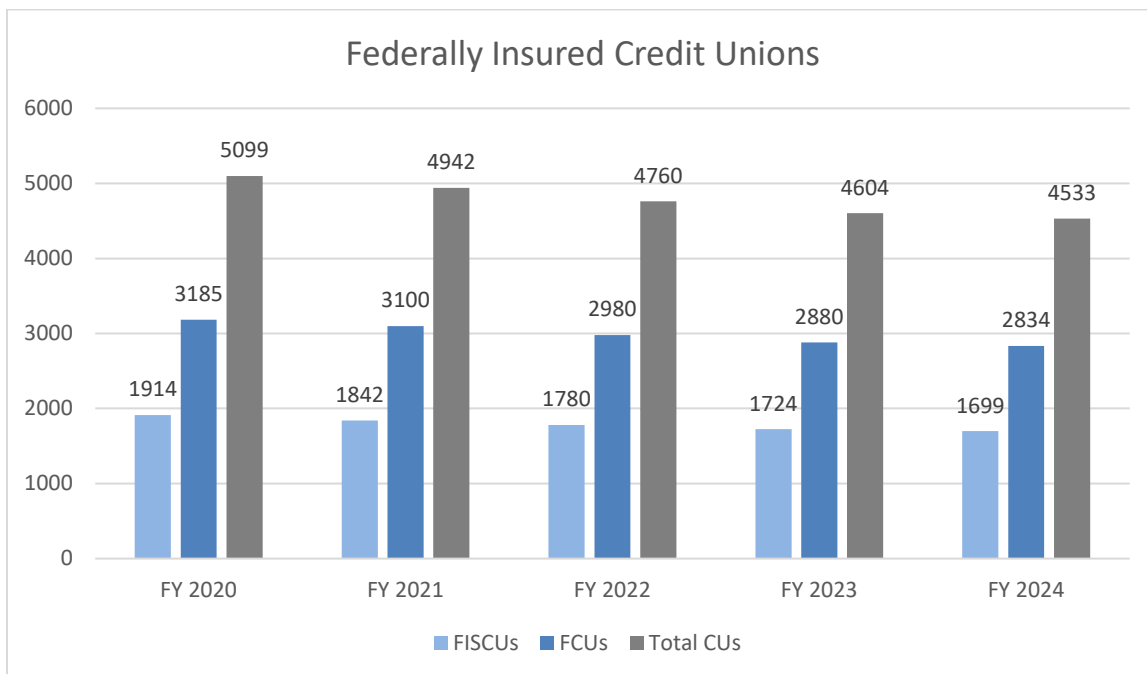
We accomplish our mission by conducting independent audits, investigations, and other activities, and by keeping the NCUA Board and the Congress fully and currently informed of our work.



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## Introduction

The NCUA was established as an independent, federal regulatory agency on March 10, 1970. The agency is responsible for chartering, examining, supervising, and insuring federal credit unions. It also insures state-chartered credit unions that have applied for insurance and have met National Credit Union Share Insurance requirements. The NCUA is funded by the credit unions it supervises and insures. As of June 30, 2024, the NCUA supervised and insured 2,834 federal credit unions and insured 1,699 state-chartered credit unions, a total of 4,533 credit unions. This represents a decline of 46 federal and 25 state-chartered credit unions since December 31, 2023, for a total decrease of 71 credit unions nationwide. The year-over-year decline is consistent with long-running industry consolidation trends.



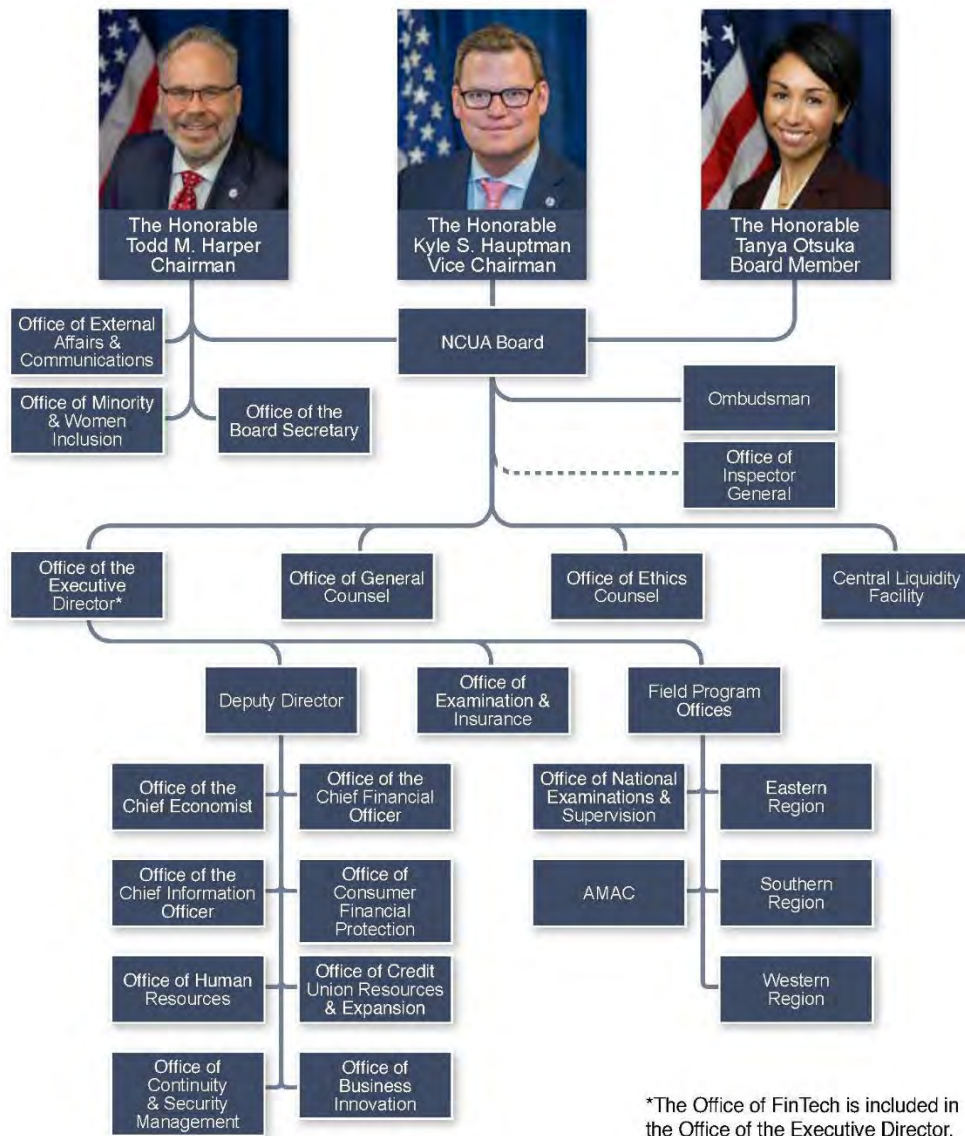
NCUA operates under the direction of a Board composed of three members. Board members are appointed by the President and confirmed by the Senate. They serve 6-year terms, although a Board member’s term may be shorter when a member fills a past member’s unexpired term. Terms are staggered, so that one term expires every 2 years. The Board is responsible for the management of the NCUA, including the National Credit Union Share Insurance Fund (Share Insurance Fund), the NCUA Operating Fund, the Central Liquidity Facility (CLF), and the Community Development Revolving Loan Fund (CDRLF).



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The NCUA executes its program through its Alexandria, Virginia central office and regional offices in Alexandria, Virginia (Eastern); Austin, Texas (Southern); and Tempe, Arizona (Western). The NCUA also operates the Asset Management and Assistance Center (AMAC) in Austin, Texas. Please refer to the NCUA’s organizational chart below.

# National Credit Union Administration Organizational Chart

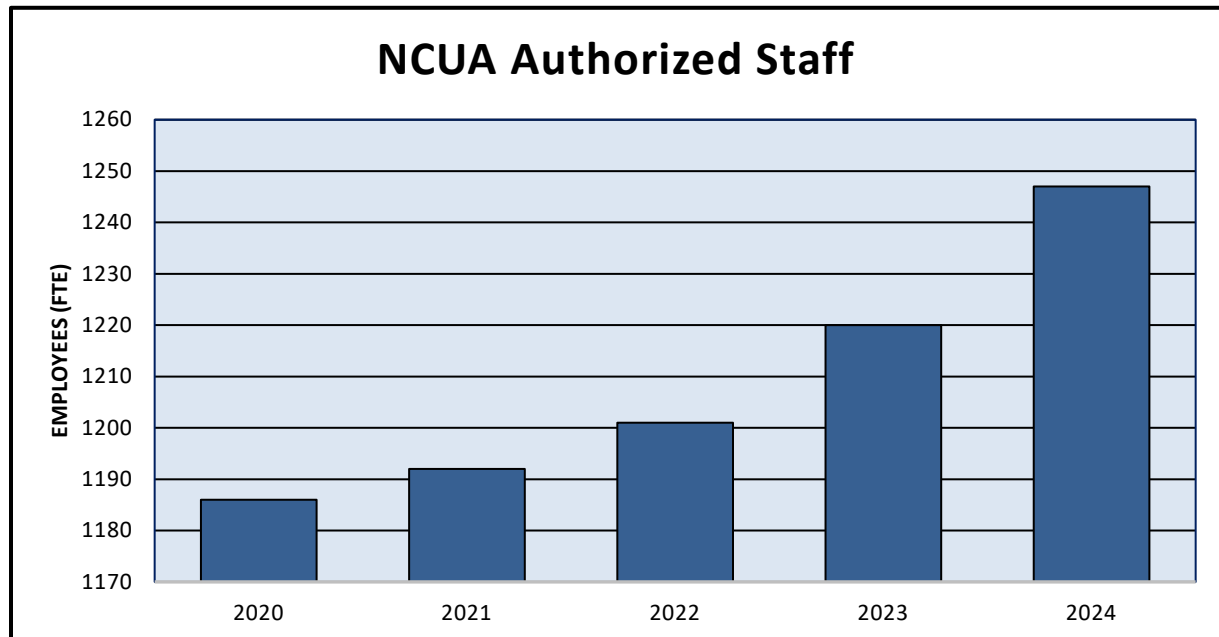
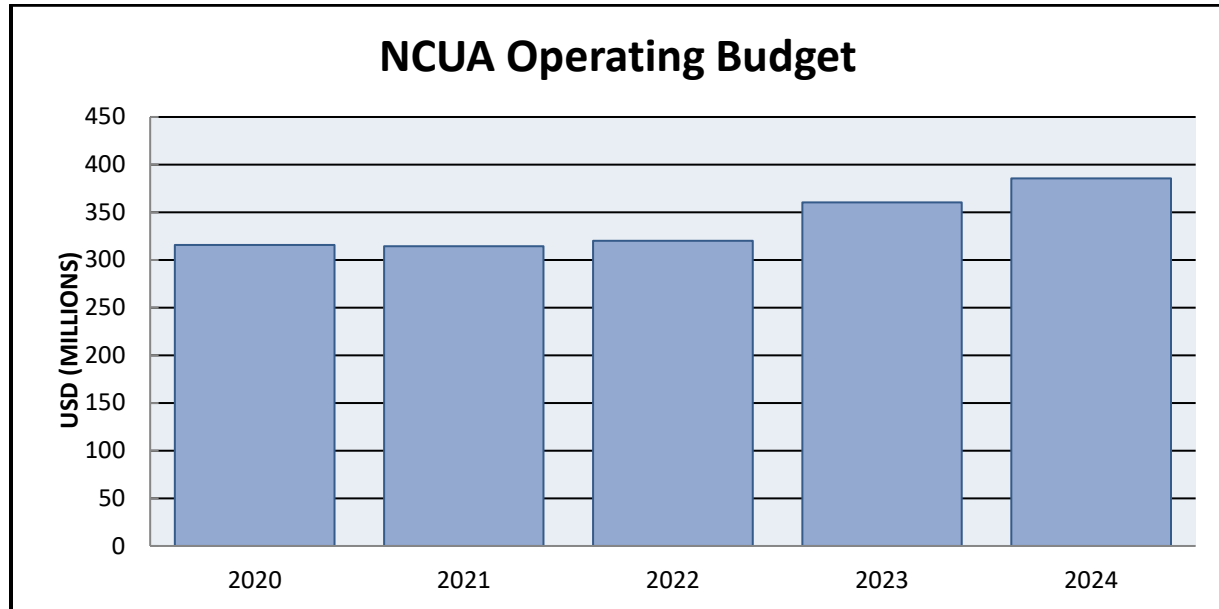






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On December 14, 2023, the NCUA Board approved the agency’s Operating, Capital, and Share Insurance Fund Administrative budgets for 2024 and 2025. Combined, the 2024 Operating, Capital, and Share Insurance Fund administrative budgets are \$385.7 million, an increase of \$25.3 million, or 7.0 percent, compared to the 2023 Board-approved budget levels. The combined budgets for 2025 are estimated at \$433.3 million. Authorized staffing levels for 2024 increased by 27 full-time equivalents compared to 2023.





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## NCUA Highlights

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### NCUA Issued Cybersecurity and Credit Union System Resilience Report

On June 25, 2024, the NCUA released its annual Cybersecurity and Credit Union System Resilience Report, which summarized the current cybersecurity threat landscape and the agency's key cybersecurity initiatives and ongoing efforts to enhance cybersecurity preparedness and resilience within the credit union industry. The report is required by the Consolidated Appropriations Act of 2021. In the report, the NCUA renewed its request that Congress provide NCUA the ability to supervise and examine third-party service providers to credit unions.

### NCUA Commemorated 90th Anniversary of Federal Credit Union Act

On June 26, 2024, the NCUA commemorated the 90th anniversary of the signing of the Federal Credit Union Act of 1934 into law, which authorized the formation of federally chartered credit unions in all states.

### NCUA Board Approved Proposed Rule on Credit Union Incentive-Based Compensation

At its July 18, 2024, meeting, the Board, by a vote of 2-1, approved issuing a joint notice of proposed rulemaking to implement section 956 of the Dodd-Frank Act, which requires federal regulators to jointly issue regulations prohibiting incentive-based compensation arrangements that encourage inappropriate risks by providing excessive compensation or that could lead to material financial loss and requiring covered financial institutions to disclose information regarding incentive-based compensation arrangements to the appropriate federal regulator. The NCUA issued the joint proposal with the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Federal Housing Financial Agency. The proposed rule divides financial institutions into three categories, each with separate requirements (level 1: assets of \$250 billion and above; level 2: assets of at least \$50 billion and below \$250 billion; level 3: assets of at least \$1 billion and below \$50 billion). NCUA indicated that there are no credit unions in level 1, two credit unions in level 2, and 441 credit unions in level 3.

### NCUA Board Approved Proposed Rule for Credit Union Succession Planning

At the July 18 meeting, the Board, by a vote of 2-1, approved issuing a notice of proposed rulemaking that requires boards of directors at federally insured credit unions to establish and adhere to processes for succession planning.



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## **NCUA Board Approved Continuing 18-percent Interest Rate Ceiling for Credit Union Loans**

At the July 18 meeting, the Board unanimously approved maintaining the current 18-percent interest rate ceiling for loans made by federal credit unions through March 10, 2026. The Federal Credit Union Act caps the interest rate at 15 percent, but the Board has discretion to raise that limit for 18-month periods if interest-rate levels could threaten the safety and soundness of credit unions. The Board's approval was followed in August by a letter to credit unions informing them of the extension. The letter further notified credit unions that they may continue to charge up to 28 percent on payday alternative loans.

## **NCUA and Other Regulators Issued Proposed Updated Anti-Money Laundering Requirements for Financial Institutions**

On July 22, 2024, the NCUA, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation issued a notice of proposed rulemaking and request for public comment regarding updated requirements for supervised institutions to establish, implement, and maintain effective, risk-based, and reasonably designed anti-money laundering and countering the financing of terrorism programs. The amendments are intended to align with changes concurrently proposed by the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN), most of which result from the Anti-Money Laundering Act of 2020.

## **Director of Western Region Retired**

On August 24, 2024, Cherie Freed, the NCUA's Regional Director of the Western Region, retired after a 37-year career at the agency. John Kutchev, Regional Director of the Eastern Region, will act as director of the Western Region until a new director is selected, and Associate Regional Director Mike Ryan will act as director for the Eastern Region.



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## Federally Insured Credit Union Highlights

Credit unions complete and submit quarterly call reports that contain financial and statistical data to the NCUA. Based on data compiled from these call reports, the NCUA produces a quarterly credit union data summary report<sup>1</sup> and a quarterly financial trend report.<sup>2</sup> The quarterly data summary report provides an overview of credit union financial performance and includes listings of summarized accounts, selected performance indicators, performance by asset category, as well as balance sheet and income statement details. The financial trends report presents year-to-date financial trends in various chart formats. Following is our summary of the June 30, 2024, quarterly data summary and financial trends reports.

### Key Financial Indicators

The June 30, 2024, quarterly data summary report provided a comparison of the second quarter 2024 data to the same quarter in the previous year. For major balance sheet items and key ratios, the report presented the following percentage changes over four quarters (June 2023 to June 2024) for the nation's 4,533 federally insured credit unions: total assets increased by 3.5 percent, net worth ratio increased from 10.62 percent to 10.84 percent, and the loan-to-share ratio increased from 83.2 percent to 84 percent. The delinquency rate increased from .63 percent to .84 percent. Credit union return on average assets decreased from .8 percent to .69 percent.

### Share Trends and Distribution

Total shares and deposits increased 2.6 percent, \$49.0 billion, bringing the balance to \$1.93 trillion. Regular shares accounted for 29.3 percent of total shares and deposits, \$564.1 billion. Money market shares comprised 17.2 percent, \$331.89 billion. Share drafts accounted for 19.6 percent, \$376.81 billion. Share certificates represented 27.4 percent, \$528.22 billion. IRA/Keogh accounts comprised 4.5 percent, \$86.19 billion; non-member deposits comprised 1.4 percent, \$26.22 billion; and all other shares comprised .7 percent, \$13.17 billion of total shares and deposits.

### Loan Trends and Distribution

Total loans increased 3.6 percent, \$56 billion, bringing the balance to \$1.62 trillion. First mortgage real estate loans accounted for the largest single asset category of outstanding loans with \$583.31 billion, 36.1 percent of total loans. Used vehicle loans of \$321.16 billion represented 19.9 percent, while new vehicle loans amounted to \$168.91 billion, 10.4 percent. Other real estate loans of \$143.66 billion accounted for 8.9 percent. Unsecured credit cards totaled \$82.01 billion, 5.1 percent, while all other unsecured loans totaled \$69.66 billion, 4.3 percent. Leases receivable and all other non-commercial loans represented \$84.63 billion, 5.2

<sup>1</sup> <https://www.ncua.gov/analysis/credit-union-corporate-call-report-data/quarterly-data-summary-reports>

<sup>2</sup> <https://www.ncua.gov/analysis/credit-union-corporate-call-report-data/financial-trends-federally-insured-credit-unions>



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percent. Commercial real estate secured loans totaled \$152.20 billion, 9.4 percent, and commercial non real estate secured loans totaled \$12.18 billion, .8 percent, of total loans.

## Legislative Highlights

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### Fraud Prevention and Recovery Act Introduced

On April 9, 2024, Senator Gary Peters (D-MI) introduced the Fraud Prevention and Recovery Act, S. 4089, which in part would revise the Program Fraud Civil Remedies Act (PFCRA) by increasing the dollar amount of claims subject to PFCRA from \$150,000 to \$1,000,000, allowing PFCRA recovery for “reverse false claims” cases in which a party withholds information material to an obligation to pay the government, and allowing agencies to retain PFCRA recoveries to the extent necessary to make them whole. A related bill, S. 659, the Administrative False Claims Act of 2023, passed the Senate on March 20, 2023, and contains the same PFCRA provisions.

### Amendment of Hatch Act Introduced

On July 20, 2024, Senator Chuck Grassley (R-IA) and Senator Gary Peters (D-MI) introduced S. 4656, a bill to include OIGs on the list of agencies whose employees are further restricted from engaging in partisan political activity under the Hatch Act. Further restricted employees are prohibited from actively participating in partisan political management or campaigns.



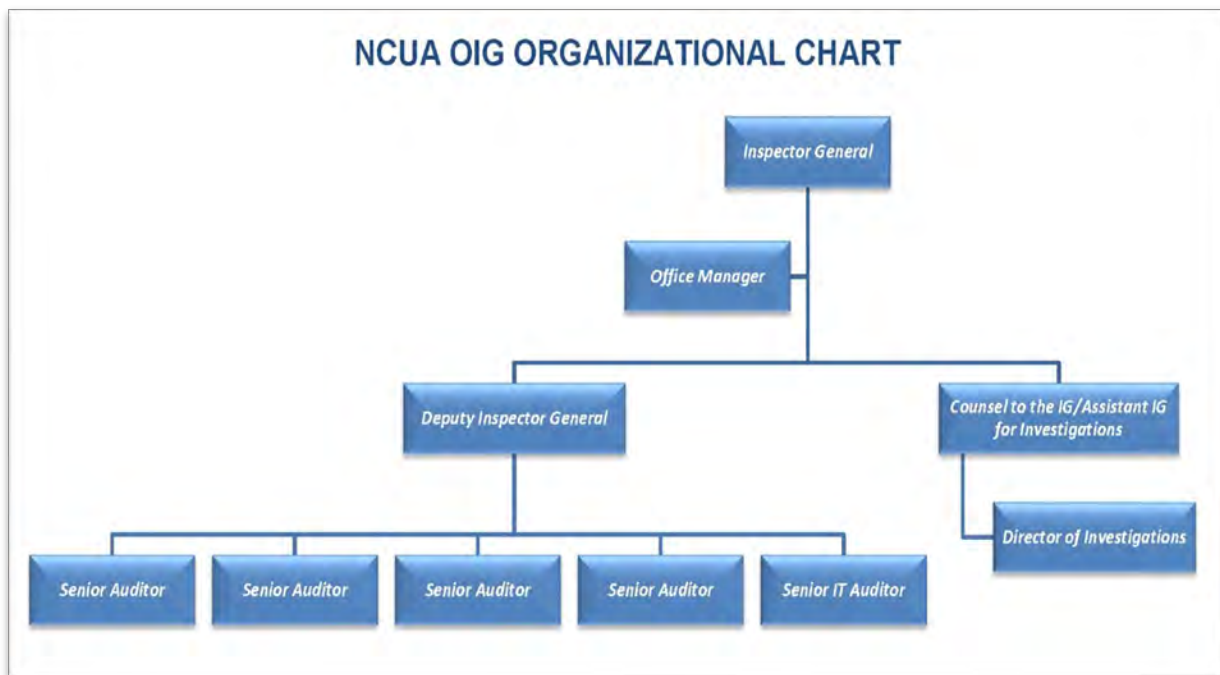
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## Office of Inspector General

The Office of Inspector General was established at the NCUA in 1989 pursuant to an amendment of the Inspector General Act of 1978. The staff consists of the Inspector General, Deputy Inspector General, Counsel to the Inspector General/Assistant Inspector General for Investigations, Director of Investigations, Senior Information Technology Auditor, four Senior Auditors, and an 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 relating to NCUA programs and operations;
2. Reviewing policies and procedures to ensure efficient and economic programs and operations and prevent and detect 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 operations; and
4. Keeping the NCUA Board and the Congress apprised of significant findings and recommendations.





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## Audit Activity

### Audit Reports Issued

#### **Audit of the NCUA's Bank Secrecy Act Enforcement Program**

We conducted this self-initiated audit to assess the NCUA's Bank Secrecy Act (BSA) program. Results of our audit determined the NCUA adequately reviewed compliance with the Bank Secrecy Act during credit union safety and soundness examinations, issued timely formal and informal enforcement actions to address Bank Secrecy Act-related violations, tailored enforcement actions to address deficiencies identified during the supervisory process, followed up on reported Bank Secrecy Act violations, and appropriately referred violations and deficiencies to the Financial Crimes Enforcement Network. However, our audit also identified several weaknesses within the program, and we made four recommendations to improve the agency's enforcement of the Bank Secrecy Act.

#### **Audit of the NCUA's Examination Hours**

We conducted this self-initiated audit to assess the NCUA's examination hours budgeting process. The objectives of our audit were to determine: (1) the NCUA's effectiveness in establishing examination hours, and (2) whether the NCUA ensured proper regulatory safeguards remained in place to protect the credit union system, credit union members, and the National Credit Union Share Insurance Fund (SIF) while appropriately managing the examination burden on credit unions. The scope of our audit covered the NCUA's budgeting of examination hours for 2023 and 2024 and the NCUA's programs/initiatives from 2012 to June 2022 that have impacted the examination burden on credit unions.

We made no recommendations in our report to management because our audit determined the NCUA was effective in establishing examination hours. We also determined the NCUA had safeguards in place to protect the credit union system, credit union members, and the SIF while appropriately managing the examination burden on credit unions.

#### **FY 2024 Independent Audit of the NCUA's Compliance with the Federal Information Security Modernization Act (FISMA) of 2014**

We contracted with and supervised the independent public accounting firm Sikich to independently evaluate the NCUA's information security program for compliance with FISMA. For this year's review, OMB required IGs to assess 20 core and 17 FY 2024 supplemental IG FISMA reporting metrics in the following five security function areas to assess the maturity level and the effectiveness of agency information security program: Identify, Protect, Detect, Respond, and Recover. The maturity levels ranging from lowest to highest are: Ad Hoc, Defined, Consistently Implemented, Managed and Measurable, and Optimized. According to the FY 2024 IG FISMA Reporting Metrics, Managed and Measurable and Optimized are considered effective maturity levels.

Sikich concluded that NCUA implemented an effective information security program by achieving an overall Managed and Measurable maturity level, complied with FISMA, and



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substantially complied with agency information security and privacy, practices, policies, and procedures. However, although NCUA implemented an effective information security program, Sikich found that its implementation of a subset of selected controls was not fully effective. Specifically, Sikich identified seven new weaknesses that fell in the Risk Management, Supply Chain Risk Management, Configuration Management, Identity and Access Management, Security Training, and Contingency Planning domains of the FY 2024 IG FISMA Reporting Metrics. As a result, Sikich made 9 new recommendations to assist NCUA in strengthening its information security program. In addition, 8 prior FISMA recommendations remain open.

## Audits in Progress

### **Audit of the NCUA's Federal Chartering Activities**

The NCUA's mission is to protect the system of cooperative credit and its member-owners through effective chartering, supervision, regulation, and insurance. The NCUA's Office of Credit Union Resources and Expansion (CURE) is responsible for chartering and field-of-membership matters, low-income designations, charter conversions, and bylaw amendments. CURE also provides guidance to any credit union going through the chartering process, which the NCUA updated in 2022. Before chartering a federal credit union, the NCUA must be satisfied that the institution will be viable and that it will provide needed services to its members. Economic advisability, which is a key factor in determining whether a potential charter will have a reasonable opportunity to succeed, is essential in order to qualify for a credit union charter. The NCUA conducts an independent on-site investigation of each charter application to ensure that the proposed credit union can be successful.

We are conducting this self-initiated audit to determine whether: (1) the NCUA's efforts to streamline its chartering process made it more efficient and effective for potential organizers interested in applying for a new federal credit union charter, and (2) the NCUA adequately communicated its revised chartering process to potential organizers interested in applying for a charter and operating a federally insured credit union.

### **Audit of the NCUA's Compliance with its Examiner-in-Charge Rotation Policy and Procedures**

The National Supervision Policy Manual (NSPM) requires the NCUA to rotate examiners-in-charge (EIC) for credit union examinations and contacts. We are conducting this self-initiated audit to determine whether: (1) the Office of Examination and Insurance and ONES rotated EICs in accordance with established requirements, and (2) the NCUA adequately maintained all written and approved exceptions to the rotation policy in accordance with requirements.

### **Audit of the NCUA's Cyber Threat Information Sharing**

The NCUA coordinates with federal regulatory agencies to share threat information and strengthen cybersecurity resiliency and plays a role in maintaining the nation's financial stability as a member of the Federal Financial Institutions Examination Council (FFIEC) and as a member of the Financial and Banking Information Infrastructure Committee (FBIIC).





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Cybersecurity threats continue to pose significant risks to the financial system and remain one of the NCUA's top supervisory priorities. As the credit union system's cybersecurity risk and vulnerability to threats continue to evolve due to the increased dependency on technology, credit unions of all sizes are potentially vulnerable to cyberattacks. In addition, with the increased reliance on third-party providers, there can be cascading effects when a cybersecurity incident happens not only directly with a credit union but with a third-party provider that is leveraged within the financial sector. The interconnected nature of the financial system demonstrates the need for effective and efficient information sharing to build situational awareness and operational resiliency at both the NCUA and credit unions. We are conducting this self-initiated audit to determine whether the NCUA: (1) effectively used shared cyber threat information for the supervision of credit unions; and (2) implemented effective processes to share cyber threat information to support credit union and financial system resiliency.

### **Audit of the NCUA's Central Liquidity Facility**

The Central Liquidity Facility (CLF) was created in 1979 to improve the general financial stability of the credit union industry by meeting their liquidity needs and thereby encourage savings, support consumer and mortgage lending, and provide financial resources to all segments of the economy. The CLF is a mixed ownership Government corporation within the NCUA. It is an instrument of the Federal Government owned by its member credit unions and managed by the NCUA Board. We are conducting this self-initiated audit to determine: (1) whether the NCUA operates the CLF in accordance with relevant laws, regulations, policies, and procedures; and (2) the utilization of the CLF by credit unions covered by the temporary authority granted by the Coronavirus Aid, Relief, and Economic Security Act.

### **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.

In addition, for any loss to the Share Insurance Fund that does not meet the threshold, the Federal Credit Union Act requires the OIG to conduct a limited-scope review to determine whether unusual circumstances exist related to the loss that would warrant conducting a full-scope MLR. For the current reporting period, the Share Insurance Fund incurred losses below the threshold because of two failed credit unions. We conducted limited-scope reviews on each of these failed credit unions, which are discussed further on page 21



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## Significant Recommendations on Which Corrective Action Has Not Been Completed

Following is a list of OIG reports with significant unimplemented recommendations as of September 30, 2024. NCUA management has agreed to implement corrective action but has yet to complete those actions. This information was supplied by the NCUA Office of the Executive Director and is monitored within the OIG's report recommendation tracking system.

### Open Significant Recommendations and Brief Summary

1. **OIG-20-07** *Audit of the NCUA's Examination and Oversight Authority of Credit Union Service Organizations and Vendors*, issued September 1, 2020, recommendation #1. Continue efforts to work with appropriate Congressional committees regarding amending the Federal Credit Union Act to grant the NCUA the authority to subject credit union service organizations and credit union vendors to examination and enforcement authority to the same extent as if they were an insured credit union.

Status: Open. Management indicated NCUA leaders will continue their efforts to seek support for reinstatement of vendor authority in Congressional testimonies and letters.

2. **OIG-24-01** *Audit of 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 indicated they began working on a cloud strategy after the President issued Executive Order 14028 and expect to finalize it no later than December 31, 2024.

3. **OIG-18-07** *FY2018 Federal Information Security Modernization Act Compliance*, issued October 31, 2018, recommendation #8. The Office of the Chief Information Officer (OCIO) enforce the policy to remediate patch and configuration related vulnerabilities within agency defined timeframes.

Status: Open. Management indicated they are actively making efforts to remediate patch and configuration related vulnerabilities. Recently, management met with stakeholders and created Vulnerability Management Dashboards. In addition, NCUA established bi-weekly technical working sessions to discuss vulnerability remediation prioritization, risks, and challenges.



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## Summary of Audit Reports Over 6 Months Old with Unimplemented Recommendations

Following are summaries of 11 OIG audit reports over 6 months old that have a total of 19 unimplemented recommendations, including any associated cost savings, as of September 30, 2024. For each of these reports, NCUA management has agreed to implement corrective action but has yet to complete those actions. The OIG monitors this information within its audit report open recommendation tracking system.

### Brief Report Summary and Unimplemented Recommendations

1. **OIG-18-07** *FY2018 Federal Information Security Modernization Act Compliance*, issued October 31, 2018, Number of Open Recommendations Remaining: 2, Potential Cost Savings: \$0

The OIG identified information security program areas where the NCUA needs to make improvements.

#### Unimplemented Recommendations

Recommendation #8—The OCIO enforce the policy to remediate patch and configuration related vulnerabilities within agency defined timeframes.

Recommendation #9—The OCIO implement a process to detect and migrate unsupported software to supported platforms before support for the software ends.

2. **OIG-19-10** *NCUA Federal Information Security Modernization Act of 2014 Audit—Fiscal Year 2019*, issued December 12, 2019, Number of Open Recommendations Remaining: 1, Potential Cost Savings: \$0

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

#### Unimplemented Recommendation

Recommendation #4—Ensure the agency implements, tests, and monitors standard baseline configurations for all platforms in the NCUA information technology environment in compliance with established NCUA security standards. This includes documenting approved deviations from the configuration baselines with business justifications.

3. **OIG-20-07** *Audit of the NCUA's Examination and Oversight Authority of Credit Union Service Organizations and Vendors*, issued September 1, 2020, Number of Open Recommendations Remaining: 1, Potential Cost Savings: \$0

The NCUA OIG made the following recommendation that will assist the agency in improving the effectiveness of its examination program.



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Unimplemented Recommendation

Recommendation #1—Continue efforts to work with appropriate Congressional committees regarding amending the Federal Credit Union Act to grant the NCUA the authority to subject credit union service organizations and credit union vendors to examination and enforcement authority to the same extent as if they were an insured credit union.

4. **OIG-21-09** *NCUA Federal Information Security Modernization Act of 2014 Audit—Fiscal Year 2021*, issued November 22, 2021, Number of Open Recommendations Remaining: 2, Potential Cost Savings: \$0

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

Unimplemented Recommendations

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.

Recommendation #6—Upon issuance of the CUI policies, design and implement media marking to designate protection standards for safeguarding and/or disseminating agency information.

5. **OIG-22-07** *NCUA Federal Information Security Modernization Act of 2014 Audit—Fiscal Year 2022*, issued October 26, 2022, Number of Open Recommendations Remaining: 2, Potential Cost Savings: \$0

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

Unimplemented Recommendations

Recommendation #3—Conduct an analysis of the technologies employed within the NCUA operational environment and document a plan to reduce the wide variety of differing technologies requiring support and vulnerability remediation, as feasible.

Recommendation #4—Implement a solution that resolves the privileged access management vulnerability.

6. **OIG-22-09** *Audit of the NCUA’s Continuity of Operations Program*, issued December 30, 2022, Number of Open Recommendations Remaining: 1, Potential Cost Savings: \$0

The OIG made the following recommendations that will assist the agency in improving the effectiveness of its Continuity of Operations Program.



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Unimplemented Recommendation

Recommendation #2—Ensure the Chief Information Officer plans, conducts, and reports on a full failover test of the NCUA’s IT network to identify and correct any identified weaknesses.

- 7. **OIG-23-05** *National Credit Union Administration Cybersecurity Audit*, issued May 2, 2023, Number of Open Recommendations Remaining: 4, Potential Cost Savings: \$0

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

Unimplemented Recommendations

Recommendation #1—Include in its quarterly review process privileged accounts with access to cybersecurity devices such as firewalls and the SIEM tool.

Recommendation #2—Complete the risk-based selection and procurement of additional audit logging tools needed to strengthen audit logging, retention, and visibility to fully implement the minimum logging requirements stipulated in OMB M-21-31.

Recommendation #3—Acquire the additional resources needed to fully implement the minimum logging requirements stipulated in OMB M-21-31.

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.

- 8. **OIG-23-06** *Audit of the NCUA’s Contracting Officer’s Representative Program*, issued May 16, 2023, Number of Open Recommendations Remaining: 1, Potential Cost Savings: \$0

The OIG made the following recommendations that will assist the agency in improving the effectiveness of its COR program.

Unimplemented Recommendation

Recommendation #9—Ensure the Director, Division of Procurement and Facilities Management updates the Acquisition Policy Manual to require all Contracting Officer’s Representative nominees to attain training and be certified and appointed prior to the effective date of the NCUA contract.

- 9. **OIG-23-07** *Audit of the NCUA’s Quality Assurance Program*, issued August 8, 2023, Number of Open Recommendations Remaining: 2, Potential Cost Savings: \$0

The OIG made the following recommendations that will assist the agency in improving the effectiveness of its Quality Assurance Program.



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Unimplemented Recommendations

Recommendation #1—Ensure the NCUA fully complies with the National Supervision Policy Manual and the ONES DOS Policy and Procedures Manual requirements regarding when quality assurance reviews are to be performed and the number of specialist reviews to be completed.

Recommendation #3—Ensure NCUA personnel involved in quality assurance activities fully comply with the National Supervision Policy Manual and the E&I & ONES Guidelines for Communication and Collaboration requirements for completing quality assurance reviews within established timeframes.

10. **OIG-23-08** *National Credit Union Administration Federal Information Security Modernization Act of 2014 Audit—Fiscal Year 2023*, issued September 14, 2023, Number of Open Recommendations Remaining: 1, Potential Cost Savings: \$0

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

Unimplemented Recommendation

Recommendation #1—Document and implement a process to validate that server policies and/or related automated scripts are configured and running as desired when introducing a new server to the NCUA information technology environment.

11. **OIG-24-01** *Audit of 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 that will 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:



*April 1, 2024-September 30, 2024*

- 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.



April 1, 2024-September 30, 2024

## Recommendations for Corrective Action Made During the Reporting Period

During the reporting period, the OIG issued the following 3 audit reports with a total of 13 recommendations for corrective action to improve the effectiveness of the NCUA's operations.

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

Recommendation #1—Update the Bank Secrecy Act scope tasks and questions within the Modern Examination and Risk Identification Tool to ensure examiners complete and document all necessary steps during Bank Secrecy Act examinations and direct examiners to use additional external guidance such as the National Supervision Policy Manual, Examiner's Guide, and Federal Financial Institutions Examination Council BSA/AML Manual, as needed.

Recommendation #2—Meet with the Financial Crime Enforcement Network (FinCEN), no less often than annually, to discuss the operation of the Memorandum of Understanding and to identify any issues or adjustments that may be required. Document any revised agreements and update the agency's policies to communicate the FinCEN reporting requirements and information needed from the regions and the Office of National Examinations and Supervision.

Recommendation #3—Develop and implement an efficient process that ensures the completeness, accuracy, timeliness, and validity of information obtained from the agency's Modern Examination and Risk Identification Tool, such as establishing reports, to meet the agency's Bank Secrecy Act reporting objectives, including communicating information in accordance with the Memorandum of Understanding and other agreement(s) with the Financial Crimes Enforcement Network.

Recommendation #4—Revise the content of 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 agency policies. Regularly review this guidance for continued relevance and effectiveness in achieving the agency's objectives.

**OIG-24-08** *NCUA Federal Information Security Modernization Act of 2014 Audit—Fiscal Year 2024* issued September 12, 2024, Number of Recommendations Made: 9, Potential Cost Savings: \$0

Recommendation #1—Conduct refresher training for the PCs 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 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.





April 1, 2024-September 30, 2024

Recommendation #3—Complete the PRISM risk assessment review on an annual basis and document the results.

Recommendation #4—Ensure that the annual risk assessment reviews for all third-party NCUA services are completed.

Recommendation #5—Document and implement a process to track and complete supply chain risk assessments for all third-party systems and service providers.

Recommendation #6—Implement improved processes for leveraging dashboards in order to monitor and manage patch compliance and remediation of vulnerabilities including the tracking of approved and unapproved software.

Recommendation #7—Complete the 2024 backlog of overdue reinvestigations.

Recommendation #8—Document and implement a process for notifying OHR to add the initial role-based security training requirement to the learning profile in the learning management system for new hires requiring the training.

Recommendation #9—Complete implementation of the new alternate processing and storage site to a fully operational state.

## Report on Credit Union Non-Material Losses

As previously mentioned, the Dodd-Frank Act requires the OIG to perform a limited review when the Share Insurance Fund incurs a loss below the material loss threshold in the preceding 6 months due to the failure of an insured credit union. The OIG must report on the results of the limited reviews and the timeframe for performing any subsequent in-depth reviews that we determine are necessary.

The report below covers the 6-month period from April 1, 2024, to September 30, 2024. For non-material losses to the Share Insurance Fund, we determine: (1) the grounds identified for appointing the NCUA as the liquidating agent, and (2) whether any unusual circumstances existed that might warrant an in-depth review of the loss.

For each limited review, we perform procedures that include: (1) obtaining and analyzing the regulator's supervisory memoranda and other pertinent documents; (2) preparing a schedule of CAMEL ratings assigned to the institution through full scope or other examinations during the 5 years preceding the failure; (3) conducting interviews as needed; (4) inquiring about any investigative actions taken, planned, or considered involving credit union officials or others; and (5) analyzing supervisory history and other review methods.

We conducted limited reviews of two failed credit unions that incurred losses to the Share Insurance Fund under \$25 million between April 1, 2024, to September 30, 2024. Based on those limited reviews, we determined none of the losses warranted conducting additional audit work. For the two failed credit unions, we concluded that either: (1) there were no unusual circumstances, or (2) we had already addressed the reasons identified for failure in recommendations to the agency in our MLR Capping report or other MLR reports.



April 1, 2024-September 30, 2024

The chart below provides details on the two credit union losses to the Share Insurance Fund of less than \$25 million. It provides details on the credit union such as supervision, date of failure, estimated loss to the Share Insurance Fund, and grounds for conservatorship, merger, or other factors. The chart also provides our decision whether to terminate or proceed with an MLR of the credit union.

<b>DECISIONS REGARDING LOSSES LESS THAN \$25 MILLION</b>					
<b>OIG Decision</b>	<b>Credit Union</b>	<b>Region</b>	<b>Liquidation Date</b>	<b>Est. Loss to Share Insurance Fund</b>	<b>Grounds for Liquidation or Appointment</b>
Terminate	United Methodist of Mississippi Federal Credit Union (United Methodist)	Southern	4/1/24	\$30,268.37	United Methodist merged with Southern Security Federal Credit Union due to significant challenges of recurring negative earnings, tightening liquidity, a decline in membership, no successor for the retiring manager, and an inactive board of directors and supervisory committee.
Terminate	Lexington Avenue Federal Credit Union (Lexington Avenue)	Eastern	6/30/24	\$1,999,000	Lexington Avenue merged with Alternatives Federal Credit Union due to poor financial condition. Specifically, Lexington Avenue received numerous Documents of Resolution in the areas of truth in lending agreements, undisclosed finance charges, capital adequacy, revenue recognition, supervisory committee activities, supervisory committee audit, Bank Secrecy Act, independent testing, liquidity cash flow forecasting, risk-based pricing notices, and adverse action notices.



April 1, 2024-September 30, 2024

## Peer Reviews

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The OIG did not conduct or receive any peer reviews during this reporting period. 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 in compliance with the quality control system, so as to provide reasonable assurance the audit organization conforms to applicable professional standards.

### **External Peer Review of the OIG, Office of Audit**

The Peace Corps OIG completed our most recent peer review on March 21, 2022, for the 3-year period ending September 30, 2021. The Peace Corps 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 that the Office of Audit complied with the system of quality control, thus providing reasonable assurance that the Office of Audit 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 National Labor Relations Board OIG, Office of Audit**

The NCUA OIG completed a peer review of the National Labor Relations Board (NLRB) OIG. On November 17, 2020, we issued an external peer review report for the audit function of the NLRB OIG for the 3-year period ending September 30, 2020. The NLRB received a rating of Pass and there are no outstanding recommendations related to the peer review report.



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## 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 hotline, email, 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 opened three investigations and closed one investigation. We also continued to work on an investigation that we opened during a prior period. As the table below indicates, we referred one investigative subject for prosecution during the reporting period.

Investigative Activity/Reports Issued During the Reporting Period	Total Number
(A) Investigative reports issued during the reporting period	1
(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
(D) Indictments and criminal information during the reporting period that resulted from any prior referral to prosecuting authorities	0

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.



April 1, 2024-September 30, 2024

## Investigations

OI did not close any investigations involving a senior government employee during the reporting period. During the reporting period, a credit union official was sentenced for an investigation completed in a prior period. We previously conducted a joint investigation of the former CEO of FedStar Federal Credit Union misapplying credit union funds for personal use and making willful false entries on a call report that resulted in the former CEO pleading guilty to misapplication of credit union funds as part of a plea agreement. On June 18, 2024, the former CEO received a sentence of 10 months of incarceration. After the former CEO's termination, FedStar was merged into another credit union due to its poor financial condition.

## 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 communications 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.

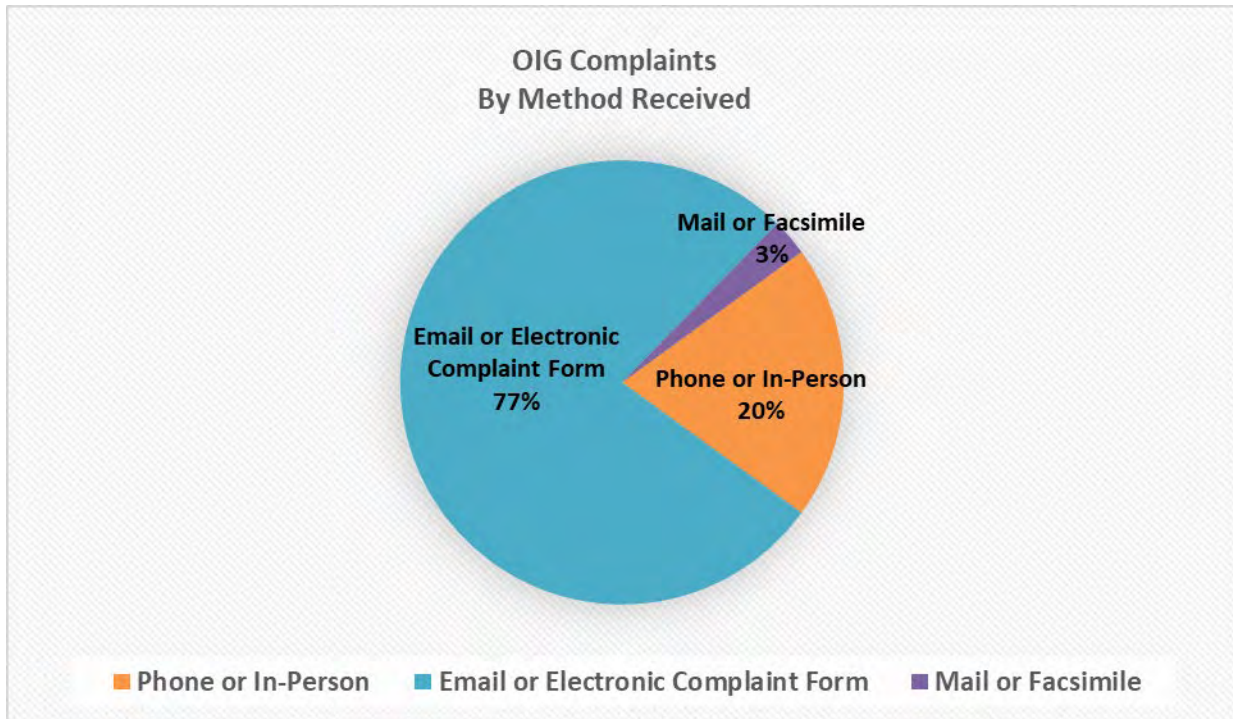
## OIG Hotline and FOIA Requests

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. 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. The electronic form offers a means 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 75 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 19 Freedom of Information Act requests during the reporting period.



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Complaints by Method Received	Number
Phone or In-Person	15
Email or Electronic Hotline Complaint Form	58
Mail or Facsimile	2
<b>Total:</b>	<b>75</b>



April 1, 2024-September 30, 2024

## 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 and commented on the NCUA’s revised travel manual for non-bargaining unit employees.

### List of Legislation and Regulations Reviewed

<b>Legislation</b>	<b>Title</b>
S. 4089	Fraud Prevention and Recovery Act
S. 4656	Bill to amend Hatch Act
<b>Regulations</b>	<b>Title</b>
12 C.F.R. Part 749	Record Retention Guidelines
12 C.F.R. Parts 741 and 751	Incentive-Based Compensation Arrangements
12 C.F.R. Part 701	Succession Planning
12 C.F.R. Parts 722 and 741	Quality Standards for Automated Valuation Models



April 1, 2024-September 30, 2024

**TABLE I : ISSUED REPORTS WITH QUESTIONED COSTS**

<b>Issued Reports With Questioned Costs</b>	<b>Number of Reports</b>	<b>Questioned Costs</b>	<b>Unsupported Costs</b>
(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 6 months of issuance.	0	\$0	\$0

Questioned costs means a cost the OIG has questioned because of alleged violations of laws, regulations, contracts, or other agreements; a finding at the time of the audit that such cost is not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Unsupported costs (included in "Questioned Costs") means a cost the OIG has questioned because it was not supported by adequate documentation.





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**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 6 months of issuance.	0	\$0

Recommendation that funds be put to better use are 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.



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**TABLE III: SUMMARY OF OIG ACTIVITY DURING THE REPORTING PERIOD**

<b>Audit Reports Issued</b>	<b>Title</b>	<b>Date Issued</b>
OIG-24-06	Audit of the NCUA’s Bank Secrecy Act Enforcement Program	05/30/2024
OIG-24-07	Audit of NCUA’s Examination Hours	06/18/2024
OIG-24-08	FY 2024 Independent Evaluation of the NCUA’s Compliance with the Federal Information Security Modernization Act of 2014 (FISMA)	09/12/2024

**TABLE IV: SUMMARY OF OIG AUDITS IN PROGRESS (AS OF SEPTEMBER 30, 2024)**

<b>Title</b>
Audit of the NCUA’s Federal Chartering Activities
Audit of the NCUA’s Compliance with its Examiner-in-Charge Rotation Policy and Procedures
Audit of the NCUA’s Cyber Threat Information Sharing
Audit of the NCUA’s Central Liquidity Facility



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<b>INDEX OF REPORTING REQUIREMENTS OF THE INSPECTOR GENERAL ACT, 5 U.S.C. §§ 401-424</b>		
Section	Reporting Requirement	Page
404(a)(2)	Review of legislation and regulations	27
405(b)(1)	Significant problems, abuses, and deficiencies	14
405(b)(2)	Recommendations for corrective action made during the reporting period	20
405(b)(3)	Significant recommendations on which corrective action has not been completed	14
405(b)(4)	Matters referred to prosecutive authorities	24
405(b)(5)	Summary of each report made to the agency head when instances where agency refused or failed to provide requested information	25
405(b)(6)	List of audit reports issued during the reporting period	30
405(b)(7)	Summary of significant reports issued during the reporting period	30
405(b)(8)	Statistical table on audit reports with questioned costs	28
405(b)(9)	Statistical table on audit reports with recommendations that funds be put to better use	29
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	15
405(b)(11)	Significant revised management decisions	N/A
405(b)(12)	Significant management decisions with which the OIG disagreed	N/A
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	33
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	33



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<b>INDEX OF REPORTING REQUIREMENTS OF THE INSPECTOR GENERAL ACT, 5 U.S.C. §§ 401-424</b>		
Section	Reporting Requirement	Page
405(b)(17)	Statistical table on investigative reports issued during the reporting period	26
405(b)(18)	Description of metrics used for developing the investigative report statistical table	26
405(b)(19)	Investigations conducted involving a senior Government employee	25
405(b)(20)	Detailed description of any instances of whistleblower retaliation	25
405(b)(21)	Detailed description of any attempt by the agency to interfere with the independence of the Office	25
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



## System Review Report

March 21, 2022

Mr. James W. Hagen  
 Inspector General  
 National Credit Union Administration  
 Office of Inspector General  
 775 Duke Street, Suite 4206  
 Alexandria, VA 22314

We have reviewed the system of quality control for the audit organization of National Credit Union Administration (NCUA) Office of Inspector General (OIG) in effect for the year ending September 30, 2021. A system of quality control encompasses NCUA OIG's organizational structure, the policies adopted and procedures established to provide it with reasonable assurance of conforming in all material respects with *Government Auditing Standards* and applicable legal and regulatory requirements. 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, 2021, has been suitably designed and complied with 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. However, our objective was not to express an opinion;

Peace Corps Office of Inspector General

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April 1, 2024-September 30, 2024

accordingly, we do not express an opinion on NCUA OIG's monitoring of work performed by IPAs.

#### **Letter of Comment**

We have issued a letter dated March 21, 2022, that sets forth a finding that was not considered to be of sufficient significance to affect our opinion expressed in this report.

#### **Basis of Opinion**

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

During our review, we communicated with NCUA OIG personnel and obtained an understanding of the nature of the 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 the NCUA OIG 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 engagements we reviewed.

#### **Responsibilities and Limitations**

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.

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.

Peace Corps Office of Inspector General

Paul D. Coverdell Peace Corps Headquarters · 1275 First Street NE, Washington, DC 20526 · 202.692.2900 · OIG@peacecorpsoig.gov



April 1, 2024-September 30, 2024

Sincerely,

A handwritten signature in cursive script that reads "Joaquin Ferrao".

Joaquin Ferrao  
Acting Inspector General  
Enclosures



April 1, 2024-September 30, 2024

Enclosure 1

Scope and Methodology

We tested compliance with NCUA OIG audit organization’s system of quality control to the extent we considered appropriate. These tests included a review of 2 of 2 engagements reports conducted in accordance with generally accepted government auditing standards (GAGAS engagement) issued from October 1, 2020, through September 30, 2021. We also reviewed the internal quality control reviews performed by NCUA OIG.

In addition, we reviewed NCUA OIG’s monitoring of GAGAS engagements performed by IPAs where the IPA served as the auditor from October 1, 2018, through September 30, 2021. During the period, NCUA OIG contracted for the audit of its agency’s fiscal year 2020 financial statements. NCUA OIG also contracted for other GAGAS engagements that were performed in accordance with *Government Auditing Standards*.

Due to the ongoing COVID-19 pandemic and mandatory telework for NCUA OIG, we conducted this peer review virtually.

Reviewed GAGAS Engagements Performed by NCUA OIG

Report No.	Report Date	Report Title
OIG-21-06	09/28/2021	Audit of NCUA’s Governance of Information Technology Initiatives
OIG-21-01	02/09/2021	Audit of NCUA’s Consumer Complaint Program

Reviewed Monitoring Files of NCUA OIG for Contracted GAGAS Engagements

Report No.	Report Date	Report Title
OIG-21-02/03/04/05	02/16/2021	NCUA’s 2020 Financial Statement Audits for the Share Insurance Fund, Operating Fund, Central Liquidity Facility, and Community Development Revolving Loan Fund





April 1, 2024-September 30, 2024



National Credit Union Administration

Enclosure 2

Office of Inspector General

March 15, 2022

Joaquin Ferrao  
Acting Inspector General  
Peace Corps Office of Inspector General  
Washington, D.C. 20526

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

Dear Mr. Ferrao:

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 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