Office of Inspector General
National Credit Union Administration

ANNUAL PERFORMANCE PLAN
CALENDAR YEAR 2000

OVERVIEW

The Office of Inspector General's (OIG) Calendar Year 2000 Performance Plan provides those audits and proactive investigations which we think will be of greatest benefit to the National Credit Union Administration (NCUA). In formulating this Plan, we considered:

- The agency's strategic (long range) and annual performance plans;

- Legislation such as the Federal Credit Union Act, the Results Act (GPRA), the Credit Union Membership Act, and the Inspector General Act;

- Recent Congressional activity, testimony by NCUA officials, and views indicating significant areas of interest to NCUA Board members and Congressional staff; and

- Observations and suggestions from OIG auditors and investigators who perform our work.

How the Annual Plan was formulated

The NCUA OIG plans its work to identify and respond to those issues which are of greatest importance to NCUA. For purposes of the Annual Plan, we have grouped our audit and proactive investigative work into five issue areas. An issue area is a major mission or subject of importance to the agency. The five issue areas reflect the agency's strategic goals and mission emphasis. These issue areas are:

- **Maintaining a system of financially sound, well managed federally insured credit unions**

- **Managing a strong, viable share insurance fund**

- **Promoting credit union service to people of modest means**

- **Ensuring that consumers get the benefits and protections afforded them by law and regulation**

- **Ensuring that NCUA responsibly manages human, financial, and technical resources**

In preparing our 2000 Performance Plan, we identified an inventory of about 60 audits and proactive investigations that address the issue areas above. Due to our limited resources, we prioritized each of these audits and they will form the basis of our work over the next four years. Criteria considered in the scoring process included such factors as importance to the NCUA mission, and interest expressed by the NCUA Board and the Congress. The specific factors we selected for scoring each audit and proactive investigation are presented in Appendix D.

Resources

In evaluating our staffing needs for the years 2000 - 2003, we determined that we did not have the staff or the technical capability to address adequately all the critical issues facing the NCUA OIG. To address this need we filled our secretarial slot with a part-time administrative assistant and used the other half FTE for an investigator position. In addition, we hired an information technology auditor to respond to the many technological issues facing NCUA and the financial services industry in the years ahead. Our Office now comprises seven FTEs including the Inspector General. Our staffing resources are augmented periodically by college interns.

Because of our small staff, we also rely upon contractors to perform the required financial statement audits of NCUA's Operating Fund, Share Insurance Fund, Central Liquidity Facility, and Community Development Revolving Loan Program. In addition to the financial statement audits, we use contracting dollars for short term, non-recurring projects requiring special capabilities. For example, during 1999, we contracted with an independent accounting firm for a Year 2000 review of NCUA mission critical internal information systems. Our consulting and contracts budget is approximately $130,000 annually.

In our year 2000 budget proposal, we requested an additional five FTEs for regional inspector positions. The inspectors will be stationed in each of NCUA's regional offices for the purpose of providing an OIG presence. This will enable the OIG to more quickly identify potential problems and to increase coverage of NCUA's regional programs and operations. The additional positions would enhance our ability to perform more of the audit and proactive investigative work we have identified in this plan. Moreover, this will foster an environment of cooperation between the OIG and the regional offices.

The OIG has approximately 4,340 staff hours to spend on program audits during 2000. The OIG has identified 560 hours for proactive investigations (Appendix B). Audits and proactive investigations that cannot be accomplished in 2000 will be deferred to years 2001-2003 (Appendix C). These hours do not include the five additional positions requested in our year 2000 budget proposal.

The following appendices are included in our 2000 plan:

Appendix A: 2000 Planned Audits
Appendix B: 2000 Planned Legal Projects and Investigative Work
Appendix C: Audits and Proactive Investigation Work planned for 2000-2003
Appendix D: Scoring Factors for Planned Audits and Proactive Investigations
Appendix E: Inventory of Planned Audits 2000-2003
Appendix F: Inventory of Planned Information Technology Audits 2000-2003

Appendix A
2000 Planned Audits

Financial Statements Audits   300 hours

*Objective: Are the four funds that the agency administers
in compliance with GAAP and do their statements fairly
represent their financial position, results of operations and
changes in cash flows? These audits are conducted under
contract with an independent public accounting firm. The
OIG has allocated 300 hours for supervision oversight
by the Assistant Inspector General for Audit.*

OIG Recommendations Follow-up   100 hours

*Objective: To determine if the OIG's recommendations
have been accepted and effectively implemented by the agency.*

Inventory and Internal Controls   200 hours
Over Agency Notebook Computers

*Objective: To determine the accuracy of NCUA's inventory
of notebook computers and evaluate the adequacy of internal
controls over notebook computers.*

Evaluation of CAMEL Rating Process   800 hours

*Objective: Determine reasonableness and consistency of
CAMEL ratings in relation to safety and soundness in federally
insured credit unions. Also, evaluate CAMEL ratings'
relationship to NCUA's strategic goals and objectives.*

Procurement Process   50 hours

*Objective: Determine if NCUA procurement of large dollar
items (in excess of $100,000) complies with applicable NCUA
policy and Federal requirements.*

OCFO Organization and Accounting (assistance from OI)   400 hours

*Objective: Determine if fund approval and expenditure
procedures are in compliance with legal and fiduciary
requirements.*

GPRA 5300   800 hours

*Objective: Information obtained from the 5300 call reports
is used by the agency to measure its progress in meeting a
number of strategic goals and objectives. We will evaluate
the reliability of the information reported.*

NCUA Budget Process   500 hours

*Objective: To determine if the NCUA budget process can
be improved to provide more useful and reliable information
to the NCUA Board.*

Peer Review   150 hours

*Objective: To determine compliance with government auditing
standards in a similar size OIG. Peer reviews are required
every three years by the PCIE/ECIE.*

SAP Security   200 hours

*Objective: To determine if SAP Basis is configured to
provide adequate protection from unauthorized access,
modification, and disclosure.*

WIN 2000 Security   440 hours

*Objective: To determine if operating system controls
provide adequate protection from unauthorized access
to the agency's information systems.*

Administrator Privileges   200 hours

*Objective: To determine if there is adequate control and
monitoring of system administrator privileges.*

Annual Database Updates   25 hours

Objective: To identify and catalog agency databases.

Total hours	4,165 hours

Appendix B
2000 Planned Legal Projects and Investigative Work

2000 LEGAL PROJECTS

Regulation review	100 hours
Administrative legal work	120 hours
Large procurements	20 hours
Other	100 hours
Total	340 hours

2000 INVESTIGATIONS

Reactive (estimated):

3 formal investigations	400 hours
4 other investigations	200 hours
Referred complaints	40 hours
Total	640 hours

Proactive:

Audit assistance (computer security/OCFO)	200 hours
Representation and relocation review	150 hours
Procurement survey (audit assistance)	150 hours
OGC fraud investigations program	60 hours
Total	560 hours

2000 OUTREACH

Planning - Integrity awareness training	40 hours
New employee training	80 hours
Regional staff training	150 hours
Monthly NCUA news articles	25 hours
Hotline poster development and distribution	20 hours
Non-NCUA training	20 hours
Total	335 hours

2000 TOTAL HOURS	1,875 hours

Appendix C
Audits and Proactive Investigative Work for 2000-2003

2000 PROJECTS	*2001 PROJECTS*
Audits: • Financial statement audits (4) • OIG recommendations follow-up • Notebook computer inventory • CAMEL rating process • Procurement process • OCFO organization and accounting • GPRA 5300 • NCUA budget process • OIG peer review • SAP security • WIN 2000 security • Administrator privileges • Annual database updates **Proactive Investigations:** • Integrity awareness/new employee training • Representation/relocation funds • Information systems security (audit assistance) • OCFO (audit assistance) • Procurement survey (audit assistance)	**Audits:** • Financial statement audits (4) • OIG recommendations follow-up • Annual database updates • Corporate credit unions • Federally insured state chartered credit unions • Insurance fund management • Information systems security • SAP change management **Proactive Investigations:** • Integrity awareness/new employee training • Regulatory burden • Bonuses and awards/promotions • Hiring outside consultants • Regional conference contracts selection
2002 PROJECTS	*2003 PROJECTS*
Audits: • Financial statement audits (4) • OIG recommendations follow-up • Annual database updates • Community development credit unions • Cyberbanking • HR/Payroll/Time card data integration • NCUA website change management **Proactive Investigations:** • Integrity awareness/new employee trng. • Enforcement actions • Phone card usage • NCUA complaint process	**Audits:** • Financial statement audits (4) • OIG recommendations follow-up • Annual database updates • Off-site monitoring • Personnel process • Corrective/enforcement actions • HR/Payroll/Time card security • Virus prevention and protection **Proactive Investigations:** • Integrity awareness/new employee training • Employee details • Asset Management Assistance Center • Timekeeping

Appendix D
Scoring Factors for Planned Audits and Proactive Investigations

Required by law or regulation	200 points
Request by Congress	100 points
Importance to the NCUA mission	100 points
Potential for fraud or risk	100 points
Issues identified by Inspector General	100 points
Request by NCUA Board	75 points
Sensitivity/high profile	75 points
Significant NCUA resources assigned	75 points
Significant monetary impact (NCUA/credit unions)	75 points
Recommended by General Accounting Office	50 points
Indication of significant problems from prior audits	50 points
Requests by NCUA managers	25 points
New or changed conditions	25 points
Suggested by PCIE/ECIE/AICPA/ISACA	25 points
Not audited by General Accounting Office or other audit entities	25 points
Total	1,100 points

Appendix E
Inventory of Planned Audits 2000-2003

	Score
Financial Statement Audits (4)	825
Notebook Computer Inventory	500
Corporate Risk-Based Exams	500
Federally Insured State Chartered Credit Unions	475
CAMEL Rating Process	425
Insurance Fund Management	425
Procurement Process	425
Community Development Credit Unions	425
Electronic Financial Services (cyberbanking)	400
Off-site Monitoring	350
OIG Recommendations Follow-up	350
Personnel Process	325
OCFO Organization and Accounting	325
Regulatory Burden	275
Recovery Audits	275
Share Insurance Fund Investments	275
GPRA 5300	250
Corrective and Enforcement Actions	250
Field of Membership	225
Cost/Benefit Analysis	225
AIRES II	225
Business Resumption Plan	225
NCUA Budget Process	225
Telecommunication Vulnerabilities	200
Credit Union Services to Underserved	200
NCUA Regulatory Vetting	200
Problem Case Credit Unions	175
Credit Union Business Loans	150
Peer Review	125
Failed Credit Union Post Mortems	125
Asset Management Assistance Center	100
NCUA Cost of Labor	50

Annual Audits:
Financial statement audits (4)
Government Performance Results Act
Annual database updates
OIG recommendations follow-up

Appendix F
Inventory of Planned Information Technology Audits 2000-2003

	Score:
Critical Infrastructure	925
Information Systems Security	875
SAP Security	875
WIN 2000 Security	875
SAP Change Management	575
HR/Payroll/Time Card Data Integration	550
HR/Payroll/Time Card/Security	525
Administrator Privileges	425
NCUA Website Change Management	250
Virus Prevention and Protection	225