

**Office of Inspector General  
National Credit Union Administration**

**ANNUAL PERFORMANCE PLAN  
CALENDAR YEAR 2001**

## OVERVIEW

The Office of Inspector General's (OIG) Calendar Year 2001 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, the Government Information Security 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 2001 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 2001 - 2003, we determined that we did not have the staff to address adequately all the critical issues facing the NCUA OIG. Specific issues include the Government Information Security Act, the Results Act, and an increasing investigative workload. To address these issues we are requesting two additional auditors and one half FTE for an additional part time investigator. Our Office currently comprises 7.3 FTEs including the Inspector General. College interns augment our staffing resources periodically.

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 2000, we contracted with an independent accounting firm for a security review of NCUA's significant financial accounting system. Our consulting and contracts budget is approximately \$130,000 annually.

The OIG has approximately 4,340 staff hours to spend on program audits during 2001 as presented in the workload model in Appendix G. The OIG has identified 650 hours for proactive investigations (Appendix B). Audits and proactive investigations that cannot be accomplished in 2001 will be deferred to years 2002-2003 (Appendix C). These hours do not include the two and a half additional positions requested in our year 2001 budget proposal.

The following appendices are included in our 2001 plan:

Appendix A: 2001 Planned Audits

Appendix B: 2001 Planned Legal Projects and Investigative Work

Appendix C: Audits and Proactive Investigation Work planned for 2001-2003

Appendix D: Scoring Factors for Planned Audits and Proactive Investigations

Appendix E: Inventory of Planned Audits 2001-2003

Appendix F: Inventory of Planned Information Technology Audits 2001-2003

## **Appendix A 2001 Planned Audits**

**GPRA 5300 (carry over)** 300 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 (carry over)** 600 hours

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

**Financial Statements Audits (4)** 500 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 200 hours for information technology review and 300 hours for supervision oversight by the Assistant Inspector General for Audit.*

**Management Consulting Review - Region IV** 330 hours

*Objective: To be determined jointly by Regional Director and Inspector General.*

**Management Consulting Review - Region VI** 330 hours

*Objective: To be determined jointly by Regional Director and Inspector General.*

**GPRA 2001** 500 hours

*Objective: To review one or two selected strategic goals.*

**Corporate Credit Unions** 400 hours

*Objective: To review the NCUA's risk based exam procedures for Corporate Credit Unions.*

**AIRES II** 450 hours

*Objective: To determine if AIRES meets the needs of the examiners and is consistent with required examination steps. Also evaluate how AIRES will be modified to meet the changing needs of the examination process.*

**Government Information Security Act** 540 hours

*Objective: To determine if NCUA is in compliance with the Government Information Security Act.*

**Information System Oversight Committee** 270 hours

*Objective: To evaluate NCUA's IT strategic planning process.*

**SAP Security Follow-up** 120 hours

*Objective: To determine if recommendations from the prior SAP review have been implemented.*

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Total hours 4,340 hours

## Appendix B

### 2001 Planned Legal Projects and Investigative Work\*

#### **2001 LEGAL PROJECTS**

Administrative legal work	200 hours
Legislative Review	120 hours
Regulation review	100 hours
Other	<u>100</u> hours
Total	520 hours

#### **2001 INVESTIGATIONS**

<u>Reactive (estimated):</u>	
3 formal investigations	500 hours
4 other investigations	200 hours
Referred complaints	<u>40</u> hours
Total	740 hours

<u>Proactive:</u>	
Audit assistance (computer security/OCFO)	200 hours
Representation and relocation review	150 hours
Procurement survey (audit assistance)	200 hours
OGC fraud investigations program	<u>100</u> hours
Total	650 hours

#### **2001 OUTREACH**

Planning - Integrity awareness training	40 hours
New employee training	80 hours
Regional staff training	150 hours
Monthly NCUA news articles	25 hours
Non-NCUA training	<u>20</u> hours
Total	315 hours

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\* Hours calculated include additional part-time investigator position

2001 TOTAL HOURS

2,225 hours

## Appendix C

### Audits and Proactive Investigative Work for 2001-2003

<u>2001 PROJECTS</u>	<u>2002 PROJECTS</u>	<u>2003 PROJECTS</u>
<p><b>Audits:</b></p> <ul style="list-style-type: none"> <li>• GPRA 5300 (carry over)</li> <li>• NCUA budget process (carry over)</li> <li>• Financial statement audits (4)</li> <li>• Management Consulting Review - RIV</li> <li>• Management Consulting Review - RVI</li> <li>• GPRA 2001</li> <li>• Corporate Credit Unions</li> <li>• AIRES II</li> <li>• Government Information Security Act</li> <li>• Information System Oversight Committee</li> <li>• SAP Security Follow-up</li> </ul> <p><b>Proactive Investigations:</b></p> <ul style="list-style-type: none"> <li>• Integrity awareness/new employee training</li> <li>• OGC fraud investigations program</li> <li>• Review of material supervisory determinations</li> <li>• Procurement survey (audit assistance)</li> <li>• Representation/relocation funds</li> </ul>	<p><b>Audits:</b></p> <ul style="list-style-type: none"> <li>• Financial statement audits (4)</li> <li>• Management Consulting Review RII</li> <li>• Management Consulting Review RV</li> <li>• GPRA 2002</li> <li>• Community development credit unions</li> <li>• Government Information Security Act</li> <li>• Windows 2000 Security</li> <li>• Electronic Financial Services</li> <li>• NCUA website change management</li> </ul> <p><b>Proactive Investigations:</b></p> <ul style="list-style-type: none"> <li>• Integrity awareness/new employee training</li> <li>• Enforcement actions</li> <li>• Phone card usage</li> <li>• NCUA complaint process</li> <li>• OCFO (audit assistance)</li> </ul>	<p><b>Audits:</b></p> <ul style="list-style-type: none"> <li>• Financial statement audits (4)</li> <li>• Management Consulting Review RI</li> <li>• Management Consulting Review RIII</li> <li>• GPRA 2003</li> <li>• Off-site monitoring</li> <li>• Personnel process</li> <li>• CAMEL Process</li> <li>• Government Information Security Act</li> <li>• HR/Payroll/Time card security</li> <li>• Virus prevention and protection</li> </ul> <p><b>Proactive Investigations:</b></p> <ul style="list-style-type: none"> <li>• Integrity awareness/new employee training</li> <li>• Bonuses and awards/promotions Employee details</li> <li>• Asset Management Assistance Center</li> <li>• Timekeeping</li> </ul>



## Appendix D

### Scoring Factors for Planned Audits and Proactive Investigations

Required by law or regulation	200 points
Issues identified by Inspector General	100 points
Requested by Congress	100 points
Importance to the NCUA mission	100 points
Potential for fraud or risk	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	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	<u>25</u> points
 Total	 1,100 points

## Appendix E

### Inventory of Planned Audits 2001-2003

	Score
<b>*Financial Statement Audits</b>	825
<b>*Government Performance Results Act</b>	800
<b>*Management Consulting Reviews</b>	525
<b>AIRES II</b>	525
<b>Corporate Risk-Based Exams</b>	500
Federally Insured State Chartered Credit Unions	475
Overhead Transfer Rate	450
CAMEL Rating Process	425
Insurance Fund Management	425
Community Development Credit Unions	425
Electronic Financial Services	400
Off-site Monitoring	350
SAR Review	350
Personnel Process	325
OCFO Organization and Accounting	325
Regulatory Burden	275
Recovery Audits	275
Share Insurance Fund Investments	275
Corrective and Enforcement Actions	250
Field of Membership	225
NCUA Business Resumption Plan	225
Telecommunication Vulnerabilities	200
Credit Union Services to Underserved	200
NCUA Regulatory Vetting	200
Problem Case Credit Unions	175
Credit Union Business Loans	150
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  
 Government Information Security Act  
 Management Consulting Reviews

**Bold** – Planned Audit in 2001

## Appendix F

### Inventory of Planned Information Technology Audits 2001-2003

	Score:
<b>*Government Information Security Act</b>	825
<b>SAP Security Follow-up</b>	825
WIN 2000 Security	825
<b>Information System Oversight Committee</b>	675
SAP Change Management	575
HR/Payroll/Time Card Data Integration	550
HR/Payroll/Time Card/Security	525
NCUA Website Change Management	250
Virus Prevention and Protection	225

\* Annual Audit

**Bold** – Planned Audit in 2001