

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

**ANNUAL PERFORMANCE PLAN  
CALENDAR YEAR 1999**

## OVERVIEW

The Office of Inspector General's (OIG) Calendar Year 1999 Performance Plan provides those audits and proactive investigations which we think will be of highest 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 (GPRRA), the Credit Union Membership Act, and the Inspector General Act, which require us to conduct specific audits
- Recent Congressional activity, testimony by NCUA officials, and views indicating significant areas of interest of NCUA Board members and Congressional staff members
- Observations and suggestions from OIG auditors and investigators who perform our work

### How the 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 1999 Performance Plan, we have grouped our audit and proactive investigative work into five highly significant issue areas. An issue area is a major mission or subject important to the agency. The five issue areas for 1999 essentially reflect the agency's strategic goals and mission emphasis. These highly significant 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 1999 Performance Plan, we identified an inventory of about 40 audits 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 five 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 are presented in Appendix C.

## Resources

In evaluating our staffing needs for the years 1999 - 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. In order to address this need, we decided to fill our secretarial slot with a part-time employee and use the other half FTE for a part-time auditor/investigator position. In addition, we are in the process of announcing a vacancy for an electronic data processing (EDP) auditor to respond to the many technological issues facing NCUA and the financial services industry in the years ahead. Once these additional persons are hired, our Office will consist of seven FTE's, including the Inspector General and a part-time secretary. Our staffing resources are augmented periodically by college interns during spring and summer breaks.

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 1998, we contracted with the National Academy of Public Administration to assist us in reviewing merit promotion actions at NCUA. Our consulting and contracts budget is approximately \$130,000 annually.

Listed below are the appendices we have included in our 1999 plan:

Appendix A 1999 Planned Audits

Appendix B 1999 Planned Legal Projects and Investigative Work

Appendix C Scoring Factors for Planned Audits

## **Appendix A**

### **1999 Planned Audits**

#### **Results Act:**

- Performance measures - 5300 call reports

*Information obtained from the 5300 call reports is used by the agency to measure its progress in meeting a number of its strategic goals and objectives. Our objective in this audit is to validate the reliability of the information reported.*

#### **Year 2000 reviews:**

- Internal systems compliance  
*Objective: To determine if KPMG's independent assessment of mission critical systems confirms NCUA's conclusion that the seven systems are Y2K compliant.*
- Waiver process  
*Objective: To determine if NCUA is exercising timely and appropriate waiver follow-up.*
- Progress of high risk rated credit unions  
*Objective: To evaluate whether the credit unions rated unsatisfactory (credit unions under administrative actions) and those rated needs improvement (high risk) by NCUA are receiving appropriate and timely follow-up.*
- Information system vendors responsible for small numbers of credit union  
*Objective: To determine whether NCUA is exercising appropriate oversight of vendor progress.*
- Liquidity - Backup audit if resources are available  
*Objective: To determine whether NCUA and federally insured credit unions have planned adequate liquidity to handle the Y2K problem.*

**Audit follow-up - OIG recommendations**

*To determine if the OIG's audit and investigative open recommendations have been accepted and effectively implemented by the agency.*

**EDP Review**

*To select one high priority agency EDP system and determine if the system is supporting operations in an effective and efficient manner.*

**Financial statement audits**

*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 conducted under contract with an independent public accounting firm. The OIG has allocated 320 hours (not part of total hours above) representing supervision oversight by the Assistant Inspector General for Audit.*

## **Appendix B**

### **1999 Planned Legal Projects and Investigative Work**

#### ***1999 LEGAL PROJECTS (I.)***

Audit assistance  
Regulation review 1151 and other  
Other

*HR 1151 Regulation Review* - Did the Agency's regulation interpretation of HR 1151; promote economy, effectiveness, and efficiency; prevent fraud and abuse; and minimize regulatory burden on credit unions?

Large procurements

*Large Procurements* - Are large contracts void of fraud, waste, or abuse?

#### ***1999 INVESTIGATIONS (III.)***

Reactive:

4 formal investigations  
2 preliminary investigations  
Referred complaints

Proactive:

Upper-level management travel review

*Upper-level Manager Travel Reimbursement* - Are upper-level employees committing waste, fraud or abuse in travel reimbursements?

#### ***1999 OUTREACH (IV.)***

Planning  
New employees training  
Regional staff training  
Non-NCUA training

## **Appendix C**

### **Scoring Factors for Planned Audits**

Importance to the NCUA mission related to the accomplishment of a stated NCUA goal	50 points
Required by law or regulation or recommended by GAO	50 points
Requested by members of NCUAB	20 points
Requested by Congress	20 points
Newness, changed conditions or sensitivity	15 points
Potential for fraud	15 points
Requested by NCUA managers	15 points
Indication of problems from prior audits	15 points
Amount of NCUA resources assigned to function	10 points
Not audited by GAO or other audit entities	<u>5</u> points
Total possible points	215