



NCUA
National Credit Union Administration

OFFICE OF
INSPECTOR GENERAL



Semiannual Report to the Congress

October 1, 2024 – March 31, 2025

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October 1, 2024-March 31, 2025

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 March 31, 2025. 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.

I will be retiring later this year. Since this will be my last Semiannual Report, I wanted to take some time to reflect upon my career and the NCUA. I will have over 38 years of federal service upon retirement. I have worked at the Treasury Department OIG, Social Security Administration OIG, Postal Service OIG, and for over 20 years here at the NCUA OIG, serving as the Inspector General (IG) for over 12 of those years. I want to thank the previous IG, Bill DeSarno, for recruiting me to the NCUA. I would also like to thank prior Board Chairmen Debbie Matz and Michael Fryzel for selecting me as the NCUA IG.

Having worked at several OIGs and having been in the IG community for quite some time, I have witnessed firsthand many agencies and their IGs at odds with each other. Some of that stems from the nature of IGs pointing out agency program shortcomings. Some of that stems from management not wanting to make changes (regardless of the logic behind the recommendation), and some stems from some IGs who play the "gotcha" role during audits. In any of these cases, I believe the issues at hand could have been avoided with more communication and collaboration between the OIG and agency management.

A core value for every OIG is independence. However, that should not be interpreted that open and honest communication cannot occur with agency executives. My philosophy has always been to make sure the agency and its programs have the highest standards and meet the requirements of those standards. In addition, when problems and issues arise, I have always instructed my team to bring them to management's attention as soon as possible, particularly while the audit is progressing, to help management either figure out a solution or start corrective action. It is not a badge of honor for an OIG to have X number of open recommendations. In fact, I would much prefer open communication with agency officials during the audit to explain any issue or problems, and have management take corrective action to fix the problem than have to issue a recommendation. Thus, we would not make a recommendation in our report, but we would still report the issue we found and give management credit for taking corrective action. That is a win/win and meets everyone's goal of making the agency a better organization with stronger internal controls.

When I first came to the NCUA, we had a material loss audit that identified potential fraud as the root cause of the failure of the credit union, yet examiners did not consider or follow up on the red flags that were quite apparent during their routine examinations of the credit union. When brought to management's attention, we were told "examiners don't look for fraud during



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examinations.” After conducting several more material loss audits over the following years where fraud at small credit unions continued to cause losses to the Share Insurance Fund, my office continued to point out the benefits and potential savings to the Share Insurance Fund if NCUA were to address fraud during examinations. Slowly, the agency started adopting our recommendations for examiner fraud checklists. This then led to the NCUA implementing robust fraud examination scope steps and procedures, including job aids, to look for and assess the existence of fraud when red flags are present. By not just putting out “gotcha” reports but truly analyzing how implementing fraud scope steps into the examination process could help the agency, NCUA began to reduce the number of fraud-related losses to the Share Insurance Fund from small credit unions. Did the OIG have all the solutions along the way to determine the best way to achieve such a robust fraud program? No, we did not. Although we had a lot of ideas, it took communication with agency executives and management to deliver the proper recommendations to achieve the program the NCUA now has in place.

Finally, some IGs think if they change the wording of a recommendation because they discussed it with management, then they are crossing the independence line. I don’t believe that to be the case whatsoever. As the IG, I always had the final word regarding what went into every report my office issued. However, why would you not want to consider the advice of those who have to implement the recommendation(s) and work in the field day in and day out? It only made good business sense that we did this, and it achieved the goal of our office to make the agency stronger and have tighter internal control.

To solve the above fraud issue as well as hundreds of other issues and programs that have arisen over the years, I have always tried to have a good working relationship with NCUA’s executives. I want to thank prior Executive Director Mark Treichel and Deputy Executive Directors John Kutchev and Rendell Jones, as well as current Executive Director Larry Fazio. We strived to have mutual respect and open communication, and I believe we achieved those goals through collaboration. Because of those relationships, NCUA is a better place. My hope is that whoever succeeds me as the IG, they will continue to take an open approach and always remember that improving the agency is in everyone’s best interest.

None of my success over the years could have been possible without a fantastic OIG team. We have always been a small office but the talented people working for me is what helped my office achieve great results. There are too many people to mention that have been part of this great team, but you know who you are, and I thank each of you for your dedication and commitment to our office and its mission. There is one person who I would be remiss if I did not name in this message, my Deputy, Bill Bruns, who is also retiring later this year with over 37 years of federal service, with 17 years at the NCUA OIG. While we have worked together most of our federal careers, Bill has been my rock here at NCUA. His talent and expertise in the audit arena are second to none. I would not have wanted to travel this road without him. Thank you, Bill, for your dedication, talent, commitment to excellence, and your friendship.

Finally, I would like to thank the numerous Board Members whom I have worked with over the years. The NCUA is a unique place with the important mission to protect the system of cooperative credit and its member-owners through effective chartering, supervision, regulation, and insurance and I witnessed its very talented staff meet this critical mission every day. I have always received unwavering support of my office from each Board Member. The collaboration



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with management and the Board has been excellent. It is noteworthy that I cannot recall the last recommendation my office made where management disagreed. Because of that, I was never forced to turn to the Board for support to implement a single recommendation. In fact, the number of open recommendations in the NCUA queue is one of the lowest totals of any of the 74 OIGs. The commitment from the Board and management to ensure the NCUA strives for this type of excellence has made my job easier. Thank you to all the current and former Board Members for their support of the OIG. It has been an honor to serve for almost 40 years in federal service and especially the past 12 years as the Inspector General. Best wishes,

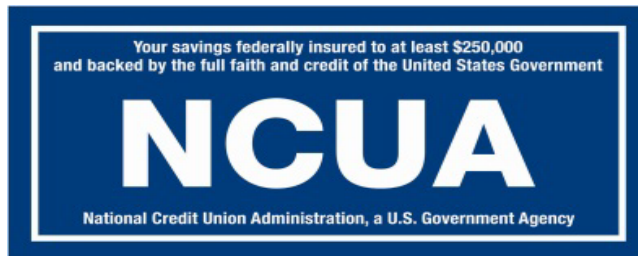
James W. Hagen
Inspector General



The National Credit Union Administration Mission

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

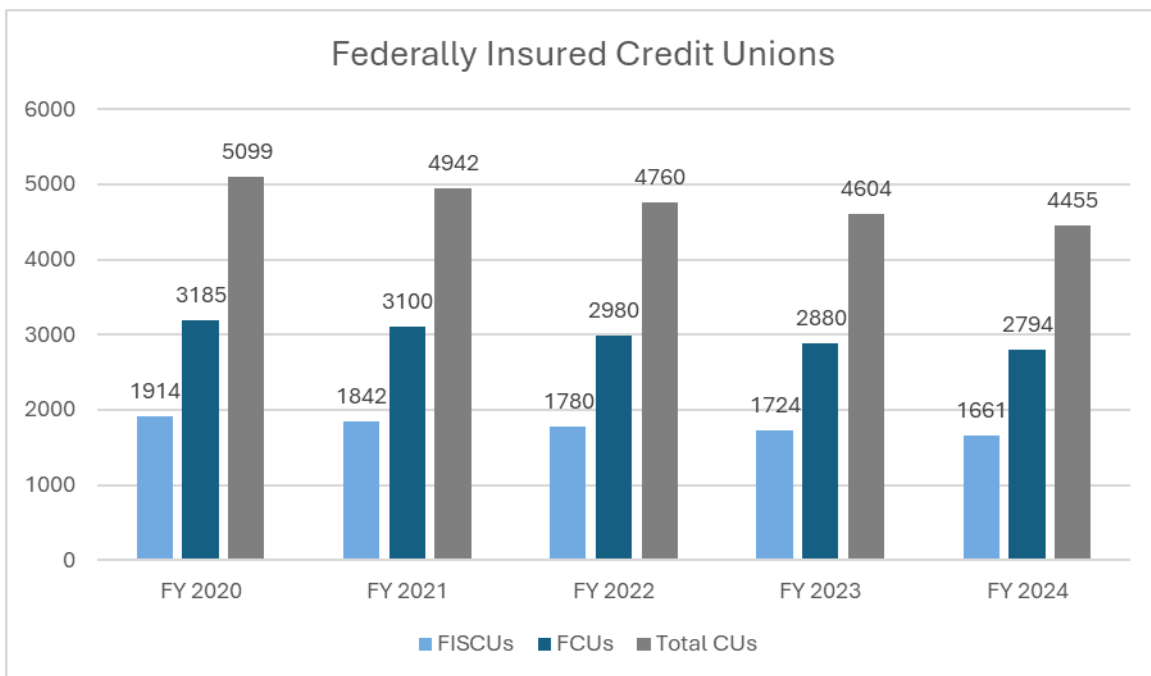
The Office of Inspector General (OIG) promotes the economy, efficiency, and effectiveness of NCUA programs and operations, and detects and deters fraud, waste, and abuse, thereby supporting the NCUA's mission of monitoring and promoting safe and sound federally insured credit unions.

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.



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 December 31, 2024, the NCUA supervised and insured 2,794 federal credit unions and insured 1,661 state-chartered credit unions, a total of 4,455 credit unions. This represents a decline of 86 federal and 63 state-chartered credit unions since December 31, 2023, for a total decrease of 149 credit unions nationwide. The year-over-year decline is consistent with long-running industry consolidation trends.



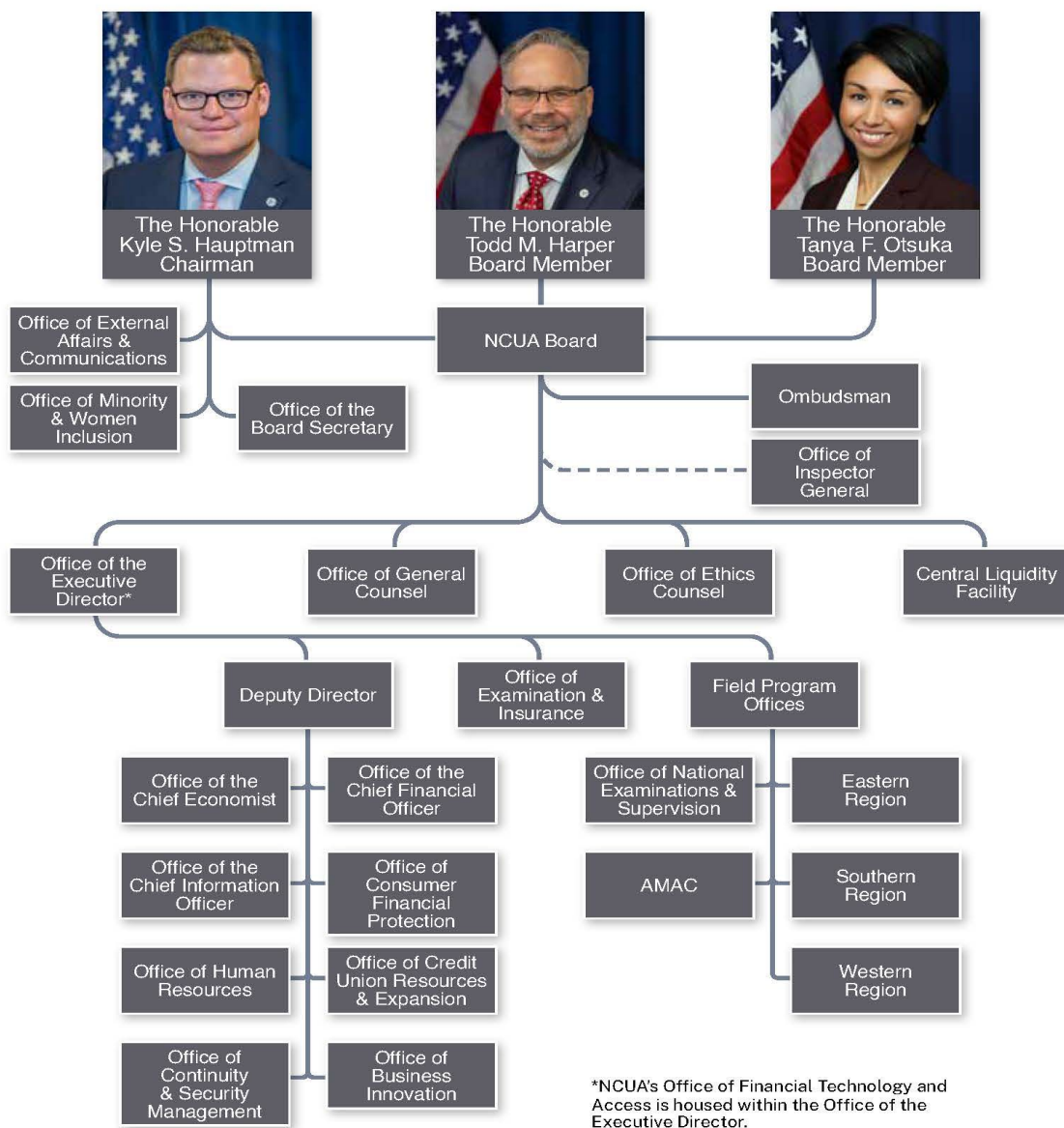
NCUA operates under the direction of a Board composed of three members. Board members are appointed by the President and confirmed by the Senate. They serve 6-year terms, although a Board member's term may be shorter when a member fills a past member's unexpired term. Terms are staggered, so that one 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



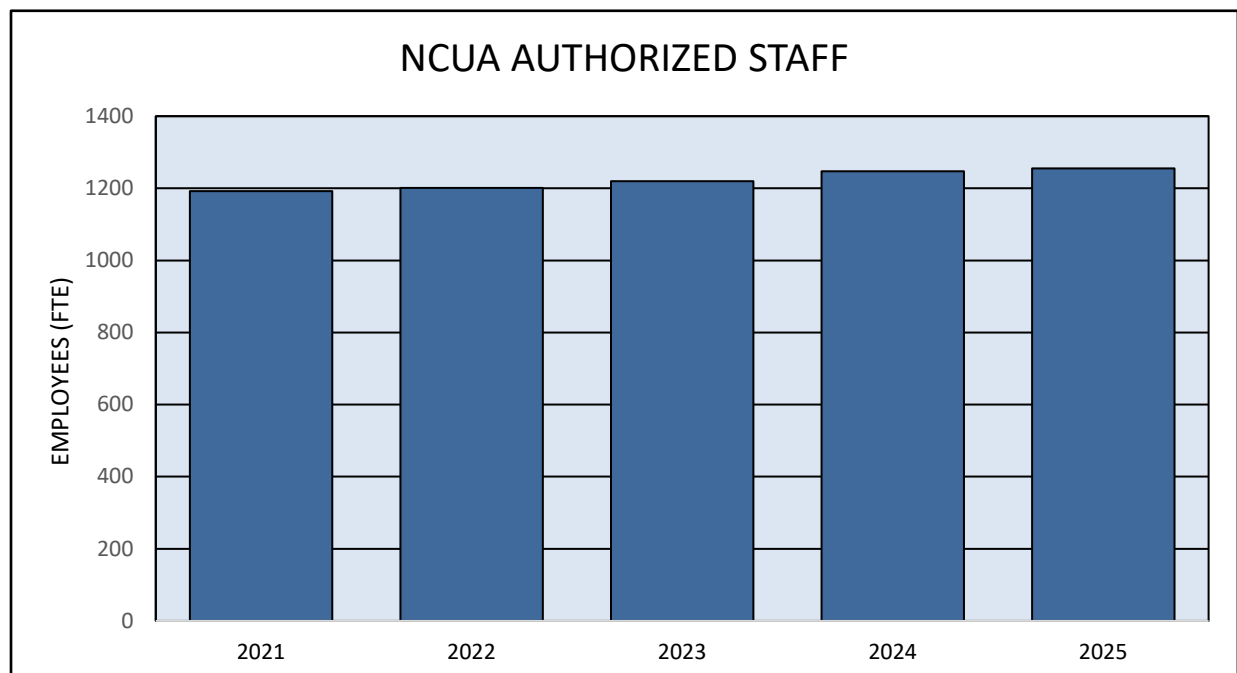
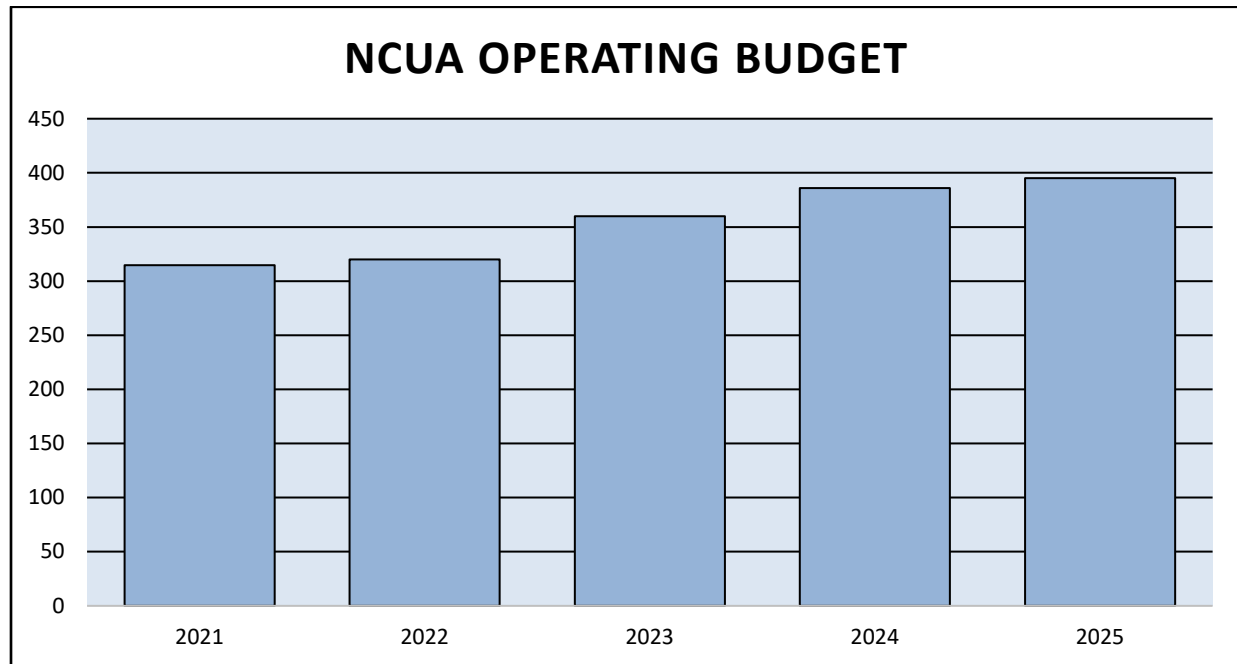
*NCUA's Office of Financial Technology and Access is housed within the Office of the Executive Director.

** Current as of March 31, 2025.



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On December 17, 2024, the NCUA Board approved the agency's Operating, Capital, and Share Insurance Fund Administrative budgets for 2025 and 2026. Combined, the 2025 operating, capital, and Share Insurance Fund administrative expense budgets are \$395.4 million, an increase of \$9.5 million, or 2.5 percent, compared to the 2024 Board-approved budget levels. The combined budgets for 2026 are estimated at \$419.5 million. Authorized staffing levels for 2025 increased by 8 full-time equivalents compared to 2024.





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NCUA Highlights

NCUA Selects Katherine Easmunt as Chief Ethics Counsel

On October 31, 2024, the National Credit Union Administration Board named Katherine Easmunt as the agency's Chief Ethics Counsel, effective November 3. Easmunt is the NCUA's Designated Agency Ethics Official who oversees the Office of Ethics Counsel, which also includes the NCUA's anti-harassment program. She previously served as Acting Chief Ethics Counsel after the retirement of the NCUA's first Chief Ethics Counsel Elizabeth Fischmann earlier in 2024.

NCUA Selects Julie Cayse as Regional Director

On January 13, 2025, the NCUA announced that it had selected Julie Cayse as the Regional Director, Western Region, effective immediately. Cayse previously served as the Associate Regional Director for Operations of the Western Region.

President Names Kyle Hauptman as NCUA Board Chairman

On Inauguration Day, January 20, 2025, President Trump named Kyle Hauptman NCUA Board Chair. Previously, Hauptman served as Vice Chairman since December 2020. His term expires in August 2025.

Chairman Hauptman Appoints Sarah Bang as Chief of Staff

On January 29, 2025, Chairman Hauptman appointed Sarah Bang as NCUA Chief of Staff and Senior Policy Advisor. She previously served as Chairman Hauptman's Senior Policy Advisor since he joined the Board.

NCUA's 2025 Supervisory Priorities and Exam Scheduling Changes

In a January 2025 letter to federally insured credit unions, the NCUA identified its supervisory priorities for 2025. The priorities are credit risk, balance sheet management and risk to earnings and net worth, cybersecurity, and consumer financial protection. The letter also stated that the NCUA would update its exam flexibility initiative to provide an extended exam cycle in specific cases. This was followed by a February 2025 letter outlining the examination schedule changes and noting that they became effective January 1, 2025.



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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 report¹ and a quarterly financial trend report.² 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 December 31, 2024, quarterly data summary and financial trends reports.

Key Financial Indicators

The December 31, 2024, quarterly data summary report provided a comparison of the fourth 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 (December 2023 to December 2024) for the nation's 4,455 federally insured credit unions: total assets increased by 2.3 percent, net worth ratio increased from 10.69 percent to 11.07 percent, and the loan-to-share ratio decreased from 85.2 percent to 84 percent. The delinquency rate increased from .83 percent to .98 percent. Credit union return on average assets decreased from .68 percent to .63 percent.

Share Trends and Distribution

Total shares and deposits increased 4.2 percent, \$78.2 billion, bringing the balance to \$1.96 trillion. Regular shares accounted for 28.4 percent of total shares and deposits, \$555.5 billion. Money market shares comprised 17.3 percent, \$338.44 billion. Share drafts accounted for 19.3 percent, \$378.57 billion. Share certificates represented 28.6 percent, \$561.21 billion. IRA/Keogh accounts comprised 4.4 percent, \$86.78 billion; non-member deposits comprised 1.3 percent, \$26.31 billion; and all other shares comprised .6 percent, \$12.46 billion of total shares and deposits.

Loan Trends and Distribution

Total loans increased 2.6 percent, \$42 billion, bringing the balance to \$1.65 trillion. First mortgage real estate loans accounted for the largest single asset category of outstanding loans with \$594.13 billion, 36.1 percent of total loans. Used vehicle loans of \$317.14 billion represented 19.3 percent, while new vehicle loans amounted to \$164.32 billion, 10.0 percent. Other real estate loans of \$156.47 billion accounted for 9.5 percent. Unsecured credit cards totaled \$85.19 billion, 5.2 percent, while all other unsecured loans totaled \$70.95 billion, 4.3 percent. Leases receivable and all other non-commercial loans represented \$82.97 billion, 5.0

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

² <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 \$161.18 billion, 9.8 percent, and commercial non real estate secured loans totaled \$12.83 billion, .8 percent, of total loans.

Legislative Highlights

Administrative False Claims Act Signed into Law

On December 23, 2024, the National Defense Authorization Act (NDAA) for FY 2025 was signed into law. Among its provisions, the NDAA renamed the Program Fraud Civil Remedies Act (PFCRA) as the Administrative False Claims Act (AFCA) and increased the dollar amount of claims subject to the AFCA from \$150,000 to \$1,000,000, allowed AFCA recovery for “reverse false claims” cases in which a party withholds information material to an obligation to pay the government, and allowed agencies to retain AFCA recoveries to the extent necessary to make them whole. The AFCA is an administrative remedy for false claims and statements that the Department of Justice (DOJ) declines to prosecute. Agencies designate an investigating official, usually the OIG, to conduct investigations into possible AFCA violations. The investigating official transmits findings to a reviewing official within the agency who evaluates the allegations to determine whether there is adequate evidence that a false claim or statement has been made. If so, the reviewing official refers the matter to DOJ, which determines whether to litigate the case. The agency may commence administrative proceedings with DOJ approval. The AFCA requires agencies to issue implementing regulations within 180 days of the AFCA’s enactment. In addition, the AFCA amended the IG Act to require that OIGs report the number of reports it submitted to the agency’s reviewing official, the agency’s actions taken in response to the reports, and instances in which the reviewing official declined to proceed on a case.

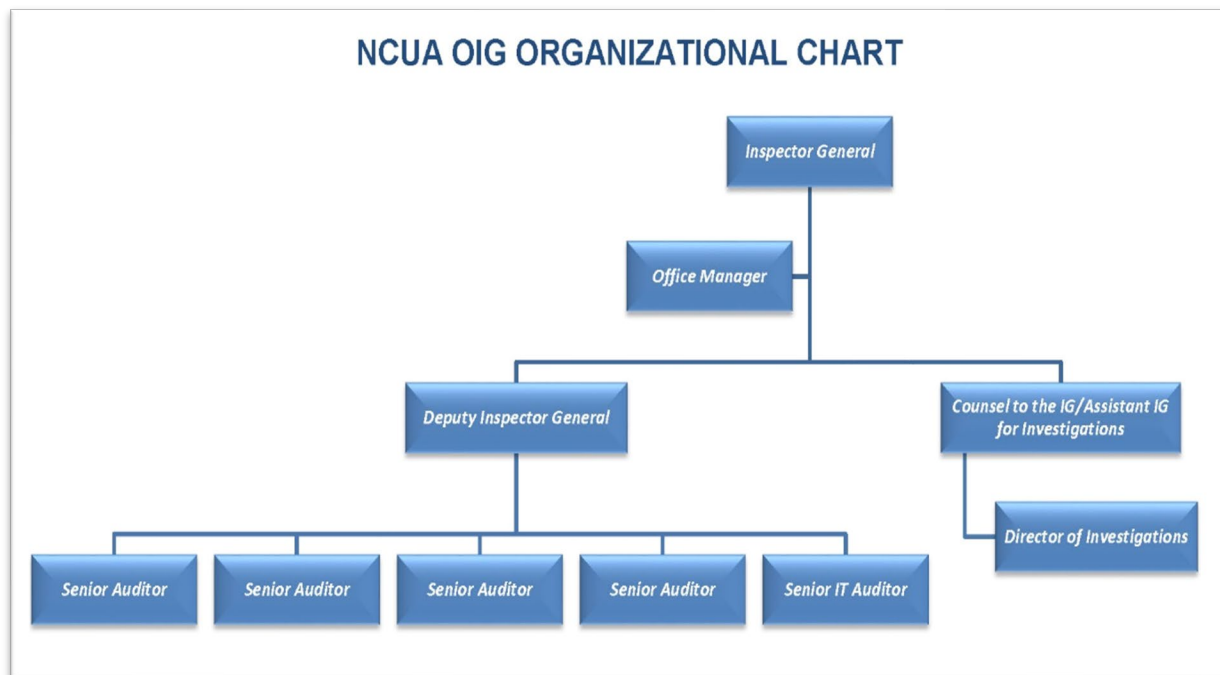


Office of Inspector General

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

OIG-24-09 Audit of the NCUA's Federal Chartering Activities

We conducted this self-initiated audit to assess the NCUA's federal chartering activities. Results of our audit determined the NCUA's chartering process operated in accordance with applicable laws, regulations, policies, and procedures and the NCUA adequately communicated its revised chartering process to potential and current organizers. However, based on our audit work, we believe the NCUA should implement automated systems for the chartering process, including a phone logging system, to streamline and enhance the efficiency of the chartering process. In addition, we determined that the deferral process for charter applications needed to be described on the NCUA website, including the number of times the NCUA may defer an application before denying it for insufficient information. Finally, we determined that the NCUA Board and senior management and the Office of Credit Union Resources and Expansion (CURE) need an established internal process to set expectations when handling charter applicants inquiries. We issued four recommendations to NCUA management to help the agency improve its federal chartering process.

OIG-24-10 Audit of the NCUA's Schedule of Investments, Accounts Receivables, Net (Other Than Intragovernmental), and Other Taxes and Receipts as of September 30, 2024

We contracted with and conducted oversight of the independent accounting firm KPMG to conduct the audit of the NCUA's schedule of investments, accounts receivables, net (other than intragovernmental), and other taxes and receipts as of September 30, 2024, and the related notes. The schedule was prepared for the purpose of providing financial information to the U.S. Department of the Treasury and the U.S. Government Accountability Office (GAO) to use in preparing and auditing the *Financial Report of the U.S. Government*, which included: (1) an opinion on the schedule, (2) an assessment of internal controls over financial reporting specific to the schedule, and (3) an assessment of compliance and other matters specific to the schedule. KPMG issued an unmodified audit opinion with no reportable findings.

OIG-25-01 Audit of the NCUA's Compliance with its Examiner-in-Charge Rotation Policy and Procedures

We conducted this self-initiated audit to assess the NCUA's compliance with its examiner-in-charge rotation policy and procedures. Our audit determined NCUA's supervisory examiners generally rotated examiners-in-charge. However, we identified several instances where the agency was not in compliance with its rotation limits policy. We made one recommendation to NCUA management to ensure managers involved in the examination scheduling program adhere to examiner-in-charge rotation limits requirements to ensure examiners-in-charge are timely rotated in accordance with policy.



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OIG-25-02/03/04/05 FY 2024 Financial Statement Audits (SIF, OF, CLF, CDRLF), issued February 13, 2025

We contracted with and supervised KPMG to conduct the NCUA 2024 financial statement audits of the Share Insurance Fund, the Operating Fund, the Central Liquidity Facility (CLF), and the Community Development Revolving Loan Fund (CDRLF).

The Share Insurance Fund is a revolving fund managed by the NCUA Board to insure member share deposits in all federal credit unions and state credit unions that are federally insured. The fund's total assets for 2024 were \$22.3 billion, an increase of \$924,597 (4.3%) from 2023 due primarily as a result of an increase in investments, net. KPMG issued an unmodified audit opinion on the Share Insurance Fund's financial statements (OIG-25-02).

The Operating Fund was established as a revolving fund managed by the NCUA Board for the purpose of providing administration and service to the federal credit union system. The fund's total assets for 2024 were \$187.6 million, up from \$182.6 million in 2023. KPMG issued an unmodified audit opinion on the Operating Fund's financial statements (OIG-25-03).

The CLF was established as a mixed ownership government corporation managed by the NCUA Board to improve general financial stability by meeting the liquidity needs of credit unions. The CLF's total assets for 2024 were \$978.2 million, up from \$901.5 million in 2023. KPMG issued an unmodified audit opinion on the CLF's financial statements (OIG-25-04).

The CDRLF was established to stimulate economic activities in the communities served by low-income credit unions. The CDRLF's total assets for 2024 were \$23.1 million, up from \$20.5 million in 2023. KPMG issued an unmodified audit opinion on the CDRLF's financial statements (OIG-25-04).

OIG-25-06 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.

Audits in Progress

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 Information Technology Asset Sanitization Process

The NCUA develops, documents, and disseminates policy and procedures that address the purpose, scope, roles, responsibilities, management commitment, coordination, and compliance regarding the protection of digital and non-digital files (media). The policy and procedures are designed to be consistent with all applicable laws, executive orders, directives, regulations, policies, standards, and guidelines, and are intended to facilitate the implementation of the media protection policy and the associated controls. The NCUA has designated the Senior Agency Information Security/Risk Officer (SAISRO) and the Senior Agency Official for Privacy (SAOP) to manage the development, documentation, and dissemination of the media protection policy and procedures. According to its media protection policy, the NCUA must sanitize all digital and non-digital system media using approved equipment, techniques, and procedures prior to disposal, release out of organizational control, or release for reuse in accordance with applicable federal and organizational standards and policies.

We are conducting this self-initiated audit to determine whether the NCUA adequately manages and sanitizes its IT assets before disposal or reuse.

Audit of the NCUA's Travel Card Program

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

The Government Charge Card Abuse Prevention Act of 2012 requires agency officials to establish and maintain internal controls to ensure the proper use of travel charge cards. In addition, the Act requires that the agency's OIG perform periodic analyses or audits, as necessary, of travel card transactions designed to identify potentially illegal, improper, or erroneous uses of travel cards, and any patterns of such uses. OMB Circular A-123 Appendix B establishes standard minimum requirements and best practices for government charge card programs that may be supplemented by individual agency policies and procedures. The NCUA



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requires employees' use of travel cards to comply with its travel program policies, the Travel Card Manual, and Public Law 105-264.

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

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 a loss below the threshold due to one failed credit union. We conducted a limited-scope review on the failed credit union, which is 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 March 31, 2025. 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 that OCIO modified and approved the NCUA Cloud Strategy in February 2025 and that the NCUA Cloud Strategy will be implemented by Q4 2027.

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 have improved the agency's vulnerability management program through augmented communication and collaboration with stakeholders. Management advised us they have developed dashboards and conducted weekly stakeholder meetings to monitor remediation of patch and configuration related vulnerabilities in accordance with agency policy resulting in 97% reduction of workstation vulnerabilities and 87% reduction of server vulnerabilities exceeding agency defined timeframes.



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Summary of Audit Reports Over 6 Months Old with Unimplemented Recommendations

Following are summaries of 10 OIG audit reports over 6 months old that have a total of 23 unimplemented recommendations, including any associated cost savings, as of March 31, 2025. 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.



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

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



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Unimplemented Recommendations

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.

7. **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.

8. **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:

- 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.



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- 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.

9. **OIG-24-06** *Audit of the NCUA's Bank Secrecy Act Enforcement*, issued May 30, 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 enforcement of the Bank Secrecy Act.

Unimplemented Recommendations

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 #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.

10. **OIG-24-08** *NCUA Federal Information Security Modernization Act of 2014 Audit—Fiscal Year 2024* issued September 12, 2024, Number of Open Recommendations Remaining: 9, 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 #1—Conduct refresher training for the property custodians regarding documenting and maintaining asset management system records in accordance with NCUA policy and procedures.

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

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.



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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 the Office of Human Resources 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.

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 5 recommendations for corrective action to improve the effectiveness of the NCUA's operations.

1. OIG-24-09 *Audit of the NCUA's Federal Chartering Activities* issued November 6, 2024, Number of Open Recommendations Remaining: 4, Potential Cost Savings: \$0

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

Recommendation #2—Quantify and clarify the deferral process for organizing groups by establishing clear guidelines and milestones to ensure enhanced transparency and understanding.

Recommendation #3—Post detailed information about the NCUA's charter deferral process on the agency's website to clearly communicate expectations and provide organizing groups with a transparent and comprehensive understanding of deferrals within the charter application process.

Recommendation #4—Establish a structured communication process within the NCUA's federal credit union chartering process that sets expectations, timeframes, and ownership of responses to inquiries initially directed to the NCUA Board and/or NCUA senior management from charter organizing groups to ensure improved operational effectiveness and customer service.

2. OIG-25-01 *Audit of the NCUA's Compliance with its Examiner-in-Charge Rotation Policy and Procedures* issued February 26, 2025, Number of Open Recommendations Remaining: 1, Potential Cost Savings: \$0



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Recommendation #1—Ensure managers involved in the examination scheduling program adhere to examiner-in-charge rotation limits requirements to ensure timely examiner-in-charge rotation in accordance with the National Supervision Policy Manual.

3. OIG-25-06 *Audit of the NCUA's Central Liquidity Facility* issued March 4, 2025, Number of Open Recommendations Remaining: 0, Potential Cost Savings: \$0.

No recommendation issued by the OIG for this audit.

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 October 1, 2024, to March 31, 2025. 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 CAMELS 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 a limited review of one failed credit union that incurred a loss to the Share Insurance Fund under \$25 million between October 1, 2024, and March 31, 2025. Based on this limited review, we concluded that there were no unusual circumstances warranting an in-depth review of the loss. The chart below provides details on the credit union, including the date of failure, estimated loss amount to the Share Insurance Fund, and the grounds for merger. The chart also provides our decision to terminate our review of the credit union.



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OIG'S DECISION REGARDING LOSSES LESS THAN \$25 MILLION					
OIG Decision	Credit Union	Region	Liquidation Date	Est. Loss to Share Insurance Fund	Grounds for Liquidation or Appointment
Terminate	Total Community Action Federal Credit Union (TCA)	Southern	3/18/2025	\$5,379.85	TCA merged with New Orleans Firemen's Federal Credit Union. TCA did not have strong leadership, which led to high delinquencies and loan losses, severe recordkeeping issues, and inaccurate books and records. The lack of strong leadership led the credit union's board of directors to make decisions based on inaccurate data.

Peer Review

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 NCUA OIG, Office of Audit

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

External Peer Review of the National Labor Relations Board OIG, Office of Audit

We did not conduct a peer review during this reporting period. The last peer review we conducted was 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 has no outstanding recommendations related to the peer review report. We plan to conduct a peer review of the Library of Congress OIG during the next semiannual reporting period.



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

During this reporting period, OI opened three investigations and closed one investigation. We also continued to work on two investigations that we opened during a prior period. As the table below indicates, we referred three investigative subjects 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	2
(C) Persons referred to state and local prosecuting authorities for criminal prosecution during the reporting period	1
(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.



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Investigations

During the reporting period, OI closed one investigation and issued one report of investigation involving a senior government employee, described below:

False Statements/Misuse of Government Property

During the reporting period, OI closed an investigation that was opened during the prior reporting period regarding the NCUA's Critical Infrastructure Division Director (CU-15) and an Information Systems Officer (CU-14) who reported to him. The investigation substantiated allegations that the Director sent non-public supervisory information, personally identifiable information, and law enforcement sensitive documents to his personal email account in violation of the NCUA's Acceptable Use Policy. The investigation also found that the Director provided false statements during the process for his background investigation, including omitting numerous outside employment positions held while working at the NCUA, and that he violated the NCUA's Acceptable Use Policy by routinely using his NCUA email account to conduct business for the outside employment. The investigation substantiated allegations that the Information Systems Officer sent NCUA work to his personal email and provided false information in the application process to the NCUA that overstated his cybersecurity experience. On October 15, 2024, the United States Attorney's Office for the Eastern District of Virginia declined the case for prosecution. The Information Systems Officer resigned from the NCUA on September 19, 2024. The Critical Infrastructure Division Director retired from the NCUA on October 19, 2024.

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.

Administrative False Claims Act

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

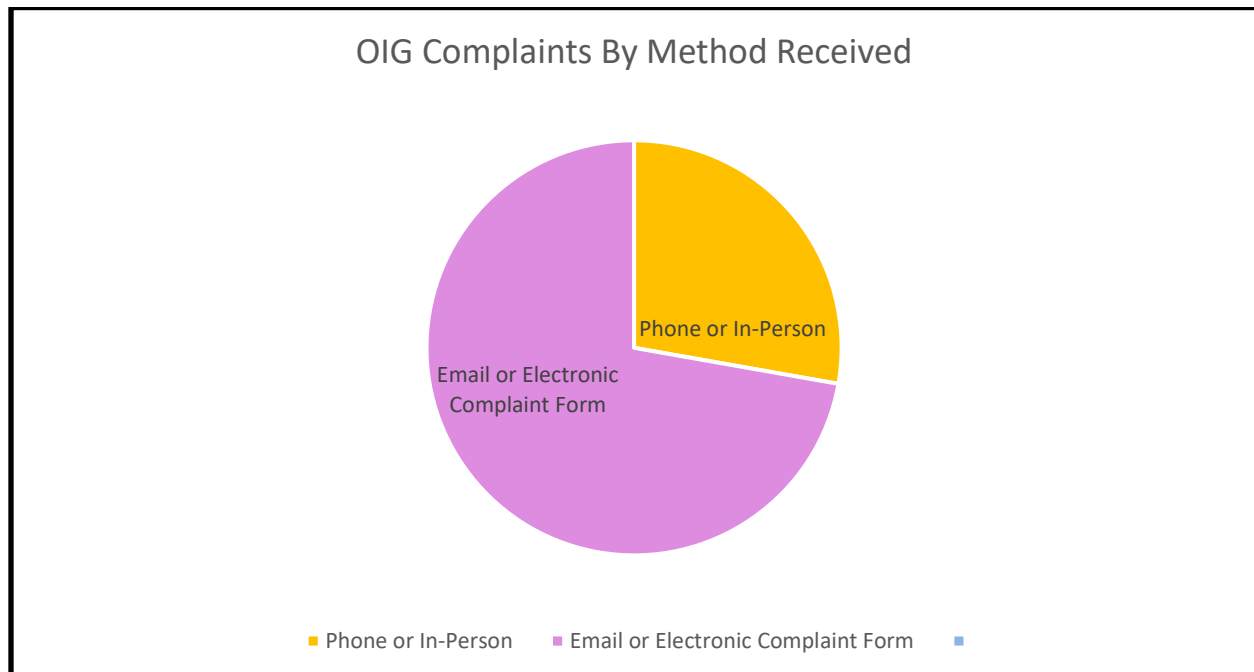


October 1, 2024-March 31, 2025

OIG Hotline and FOIA Requests

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

During this 6-month period, we processed 54 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 69 Freedom of Information Act requests during the reporting period.



Complaints by Method Received	Number
Phone or In-Person	15
Email or Electronic Hotline Complaint Form	39
Total:	54

*October 1, 2024-March 31, 2025*

Reviews of Legislation, Regulations, and Policies

Section 4(a) of the Inspector General Act requires the Inspector General to review existing and proposed legislation and regulations relating to the programs and operations of the NCUA and to make recommendations concerning their impact. OIG reviewed the legislation and NCUA regulations listed below. In addition, the OIG reviewed executive orders and related guidance.

List of Legislation and Regulations Reviewed

Legislation	Title
Pub. L. 118-159	National Defense Authorization Act
Regulations	Title
12 C.F.R. Parts 701, 741, 746, 748, 752	Fair Hiring in Banking Act
12 C.F.R. Part 753	Financial Data Transparency Act Joint Data Standards



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TABLE I : ISSUED REPORTS WITH QUESTIONED COSTS

Issued Reports with Questioned Costs	Number of Reports	Questioned Costs	Unsupported Costs
(A) For which no management decision had been made by the start of the reporting period.	0	\$0	\$0
(B) Which were issued during the reporting period.	0	\$0	\$0
Subtotals (A + B)	0	\$0	\$0
(C) For which management decision was made during the reporting period.	0	\$0	\$0
(i) Dollar value of disallowed costs	0	\$0	\$0
(ii) Dollar value of costs not allowed	0	\$0	\$0
(D) For which no management decision has been made by the end of the reporting period.	0	\$0	\$0
(E) Reports for which no management decision was made within 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.



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 AUDIT ACTIVITY
DURING THE REPORTING PERIOD**

Audit Reports Issued	Title	Date Issued
OIG-24-09	Audit of the NCUA's Federal Chartering Activities	11/06/2024
OIG-24-10	Audit of the NCUA's Schedule of Investments, Accounts Receivables, Net (Other Than Intragovernmental), and Other Taxes and Receipts as of September 30, 2024	11/13/2024
OIG-25-01	Audit of the NCUA's Compliance with its Examiner-in-Charge Rotation Policy and Procedures	02/06/2025
OIG-25-02/03/04/05	FY 2024 Financial Statement Audits (SIF, OF, CLF, CDRLF)	02/13/2025
OIG-25-06	Audit of the NCUA's Central Liquidity Facility	03/04/2025

TABLE IV: SUMMARY OF OIG AUDITS IN PROGRESS (AS OF MARCH 31, 2025)

Title
Audit of the NCUA's Cyber Threat Information Sharing
Audit of the NCUA's Information Technology Asset Sanitization Process
Audit of the NCUA's Travel Card Program



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INDEX OF REPORTING REQUIREMENTS OF THE INSPECTOR GENERAL ACT, 5 U.S.C. §§ 401-424		
Section	Reporting Requirement	Page
404(a)(2)	Review of legislation and regulations	27
405(b)(1)	Significant problems, abuses, and deficiencies	16
405(b)(2)	Recommendations for corrective action made during the reporting period	21
405(b)(3)	Significant recommendations on which corrective action has not been completed	16
405(b)(4)	Matters referred to prosecutive authorities	25
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	17
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



INDEX OF REPORTING REQUIREMENTS OF THE INSPECTOR GENERAL ACT, 5 U.S.C. §§ 401-424		
Section	Reporting Requirement	Page
405(b)(17)	Statistical table on investigative reports issued during the reporting period	24
405(b)(18)	Description of metrics used for developing the investigative report statistical table	24
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	25



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Appendix A

SYSTEM REVIEW REPORT

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OFFICE OF THE
INSPECTOR GENERAL

System Review Report

March 27, 2025

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

Dear Mr. Hagen:

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

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

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

Monitoring of GAGAS Engagements Performed by Independent Public Accountants

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

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



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Letter of Comment

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

Basis of Opinion

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

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

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

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

Responsibilities and Limitation

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

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



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

Sincerely yours,

Signed by:

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Nicole L. Angarella
Inspector General

Enclosures - 2



October 1, 2024-March 31, 2025

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Enclosure 1

Scope and Methodology

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

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

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

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

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

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

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



October 1, 2024-March 31, 2025

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National Credit Union Administration

Enclosure 2

Office of Inspector General

March 26, 2025

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

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

Dear Ms. Angarella:

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

Sincerely,

James W. Hagen
Inspector General

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