

This transmittal log documents changes to the NSPM from version 4.0, issued Jan. 7, 2016, to version 4.1. Changes are organized by section/topic and:

- Amend existing procedures to improve the consistency and efficacy of the examination and supervision program
- Provide clarification for existing procedures
- Amend procedures as a result of regulatory amendments or other agency directives

This log does not reflect technical amendments and minor grammatical changes. For a complete history of NSPM documentation, visit the **NSPM SharePoint site**.

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Audits, Recordkeeping, and Fraud

Citation	Previous Content (v4.0)	New Content (v4.1)
Audits, Recordkeeping, and Fraud > Dishonesty, Fraud, and Insider Dealings	<p>If an examiner discovers fraud or a shortage, they will document the fraud or shortage as completely as possible and notify their supervisor. With supervisor concurrence, the examiner will notify the board of directors and the supervisory committee and request completion of a Suspicious Activity Report (SAR).</p> <p>The examiner will encourage the officials to, at a minimum:</p> <ol style="list-style-type: none">1. Suspend the personnel involved with pay2. Control the access of personnel involved to the credit union3. Fill the operational void caused by the suspension4. Contract to perform a fraud audit5. Notify surety, and6. File a bond claim after all facts are known <p>Ultimately, NCUA must decide the likelihood of pursuing prohibition actions against dishonest individuals. Examiners must seek input for this decision from their supervisor, regional office, and, if necessary, OGC. Should conviction of a crime result for an individual, NCUA usually can obtain a prohibition more easily.</p>	<p>Field staff that discover fraud or a shortage will document the fraud or shortage as completely as possible and notify their supervisor. Field staff will instruct the credit union’s officials to properly address the situation, including considering the following actions after consulting with the credit union’s legal counsel:</p> <ol style="list-style-type: none">1. Suspend the personnel involved, with pay2. Control involved personnel’s access to the credit union3. Fill the operational void caused by the suspension4. Contract to perform a fraud audit5. Notify surety6. File a bond claim, as appropriate7. Complete a Suspicious Activity Report (SAR) <p>[CALLOUT BOX: Field staff should remind credit union management that the filing of any SAR is confidential and should not be disclosed to credit union personnel named in the filing.]</p> <p>Field staff cannot direct or require a credit union to terminate or suspend an employee. Field staff should ensure that management understands that it is their choice on the appropriate action to take.</p>
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CUSO Reviews

Citation	Previous Content (v4.0)	New Content (v4.1)
CUSO Registry	N/A	<p>In November of 2013, NCUA issued a final rule affecting the relationship between credit unions and credit union service organizations (CUSOs). The board subsequently issued changes to corporate credit union rules to require the same reporting for CUSOs that have a loan or investment from a corporate credit union. The rule applies to all federally insured credit unions that have an investment in, or loan to, a CUSO.</p> <p>The final rule requires CUSOs to agree, in writing, to provide information to NCUA on an annual basis. NCUA established the online CUSO Registry as the official reporting tool for CUSOs, which will report year-end information to the agency through the registry during an annual registration period.</p> <p>The goal of the CUSO Registry is to obtain accurate information about CUSOs in order to effectively evaluate potential financial and operational risk to credit unions. This information also helps NCUA identify inter-relationships between credit unions and the CUSOs in which they invest, lend, and do business. As a result, it is imperative that information contained the registry is accurate. [content from NCUA Bulletin 5010.07B, Examination Expectations for Review of CUSO Registry Information]</p>

CUSO Reviews

Citation	Previous Content (v4.0)	New Content (v4.1)
CUSO Registry>Responsibilities	N/A	<p>Field Staff and Regional Office Responsibilities</p> <p>Field staff will document the review of CUSO information in the AIRES scope workbook and in the AIRES CUSO internal control questionnaire. Specifically, field staff will:</p> <ol style="list-style-type: none">1. Answer questions 1 through 7(a) in the AIRES CUSO internal control questionnaire.2. Determine if the credit union/CUSO relationships reported in the CUSO Registry are materially accurate. If registration is not current or if there is materially inaccurate information in the registry:<ol style="list-style-type: none">a. If the credit union is the whole or majority owner of the CUSO, the examiner should attempt to resolve any CUSO reporting issues/concerns through the credit union. If the credit union/CUSO does not resolve the issue, the examiner will refer the issue to the regional office using the CUSO Registry Reporting Concern form. <p>The regional office will then use the appropriate template to send a letter to the credit union, CUSO, and any other credit union investors or lenders of record. The letter will advise credit unions that invest in or lend to the CUSO to immediately stop making additional investments in or loans to the CUSO until the registration record is corrected.</p> <ol style="list-style-type: none">b. For CUSOs with multiple owners, the examiner should notify the regional office of any CUSO reporting issues/concerns immediately using the CUSO Registry Reporting Concern form. The regional office will use the CUSO Registry Follow-Up template to contact the CUSO and any credit union investors/lenders of record as soon as possible. The letter will request that the CUSO resolve the reporting issue within 30 calendar days from the initial date of contact. If the CUSO does not resolve the issue, the Regional Office will then use the appropriate template to send a letter to the CUSO and any other credit union investors or lenders of record. (See enclosure 2.) The letter will advise credit unions that invest in or lend to the CUSO to immediately stop making additional investments in or loans to the CUSO until the registration record is corrected.3. Document the completion of each scope step in the compliance section of the scope workbook. Indicate if any issues were discovered, and document the status of resolution. <p>CALLOUT BOX: If an examiner finds that a credit union made a new loan to or investment in a CUSO during a period when the CUSO was not properly registered, this should be reported as an Examiner Finding in the credit union’s Exam Report.</p> <p>CALLOUT BOX: If an examiner finds that a CUSO is in breach of its contract with respect to registering, the examiner will note this as an Examiner Finding in the credit union’s exam report with a reminder that the credit union may not make any new loans to or investments with the CUSO until it comes into compliance. If the issue is corrected during the course of the examination, the examiner should note this in the Examiner Findings.</p> <p>Serious or significant recurring issues should be discussed with your supervisor and may warrant a Document of Resolution or Regional Director Letter. Any</p>
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CUSO Reviews

Citation	Previous Content (v4.0)	New Content (v4.1)
CUSO Reviews > General Responsibilities>E&I	E&I will monitor the national status and trends of CUSOs through data available from established information systems .	E&I will monitor the national status and trends of CUSOs through data available from the CUSO Registry .
CUSO Reviews	This section does not address procedures for examiners who perform a CUSO review as part of the normal credit union examination process. Examiners conducting such a review should refer to review procedures outlined in CUSO internal control questionnaire contained in AIRES Questions.xls.	This section does not address procedures related to the validation of CUSO Registry information as part of the normal credit union examination process. Examiners conducting such a review should refer to review procedures outlined in the NSPM and in the CUSO internal control questionnaire contained in AIRES Questions.xls. [link to new CUSO Registry section of NSPM]
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District Management

Citation	Previous Content (v4.0)	New Content (v4.1)
<i>District Management > Administrative Items > Documented Secondary CAMEL Review</i>	Examiners must receive the supervisor’s DSCR prior to releasing the exam report to the credit union officials or management. Examiners will document completion of the DSCR in the Confidential Section of AIREs.	Examiners must receive the supervisor’s DSCR prior to releasing the exam report to the credit union officials or management. Examiners will document completion of the DSCR in the Confidential Section of AIREs. Examples of sufficient documentation are: <ul style="list-style-type: none">• E-mail from the supervisor• Optional DSCR template in AIREs• Supervisor creates form to document the review
<i>District Management>Notice of Troubled Condition>FISCUs(establishes 45-day requirement)</i>	...In situations where NCUA did not participate and concludes a FISCUs CAMEL rating is a 4 or 5 during the WCC 26 review (and the state rating is a 3 or better), an onsite contact is required to be completed within 45 daysIn situations where NCUA did not participate and concludes a FISCUs CAMEL rating is a 4 or 5 during the WCC 26 review (and the state rating is a 3 or better), an onsite contact is required to be completed within 60 days .
<i>District Management > Supervision Chronology Report</i>	At a minimum, Supervision Chronology Reports are required for CAMEL 3 Federally Insured Credit Unions (FICUs) with assets \$250 million and greater, CAMEL 4 or 5 FICUs, and credit unions requiring a 60 day follow-up for significant recordkeeping concerns. Examiners should document a detailed historical sequence of all issues relating to the supervision of the credit union in the Supervision Chronology Report and include the report in each subsequent upload until it is no longer required. Such items include...	No change to text; add call-out box. CALLOUT TEXT: When upgrading a credit union from a CAMEL 4 or 5, or removing an LUA, examiners must complete the supervision chronology report.
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Exam Report Writing

Citation	Previous Content (v4.0)	New Content (v4.1)
Exam Report Writing > Report Components > Status Update	Examiners will use the Status Update template to document a credit union’s compliance with outstanding administrative actions (LUA, PWL, etc.) and net worth restoration plans. For each document, examiners should provide a separate Status Update. For example, if a credit union has an outstanding LUA and NWRP, the examiner will create two Status Update templates, one for each of the outstanding documents. At a minimum, examiners will include each outstanding corrective action or goal and the most current status of each in the Status Update. Examiners will include the Status Update(s) in the official examination report provided to credit union officials. However, if the credit union does not have any outstanding enforcement actions or an NWRP, the examiner should exclude this document from the report.	No change to text; add call-out box. CALLOUT TEXT: When upgrading a credit union from a CAMEL 4 or 5, or removing an LUA, examiners must complete the status report.
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Federally Insured, State Chartered Credit Union Program and Procedures

Citation	Previous Content (v4.0)	New Content (v4.1)
<i>FISCUs > Supervision Contacts > Reviews of SSA Exams (WCC 26)</i>	For CAMEL composite 4 or 5 ratings, an onsite supervision contact must be completed within 45 calendar days of completing the WCC 26 review to validate the CAMEL rating and trigger the “troubled condition” designation. Examiners must start this onsite contact within five business days of the WCC 26 review upload...	For CAMEL composite 4 or 5 ratings, an onsite supervision contact must be completed within 60 calendar days of completing the WCC 26 review to validate the CAMEL rating and trigger the “troubled condition” designation. Examiners must start this onsite contact within ten business days of the WCC 26 review upload...
FISCUs > Issuing a Report	<p>The NCUA EIC will also work with the SSA EIC to include NCUA comments in the AIRES Scope module for NCUA review areas.</p> <p>To ensure the best possible results...</p>	<p>The NCUA EIC will draft sections or work with the SSA to draft sections of the Examination Overview, DOR, or comparable document pertaining to NCUA’s areas of concern including documentation to support the report’s findings and conclusions. The NCUA EIC will also work with the SSA EIC to include NCUA comments in the AIRES Scope module for NCUA review areas.</p> <p>[CALLOUT BOX: It is important that examiners clearly document the day, time, and version of documents provided to the SSA for inclusion in the final report. This can be accomplished through an email chain.]</p> <p>To ensure the best possible results...</p>
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Quality Assurance Program

Citation	Previous Content (v4.0)	New Content (v4.1)
Quality Assurance Program > Examination and Supervision QCR Minimum Selection Criteria	<p>In addition, each region’s DOS will perform QCRs on any examination or follow-up examination where the credit union is subject to a formal administrative action as discussed in Supervisory Letter 10-04, Administrative Remedies (June 2010).</p> <p>[CALLOUT BOX: Formal actions include a published letter of understanding and agreement; immediate and/or permanent cease and desist order; civil money penalties (excluding those assessed for late filing of call reports); involuntary liquidation; conservatorship; termination of insurance; revocation of charter; prompt corrective action related items, not to include earnings transfer waivers.]</p> <p>For more information on formal administrative actions, see NCUA Instruction 4820, Enforcement Manual, and chapter 29 of the Examiner's Guide.</p>	<p>In addition, each region’s DOS will perform QCRs on any examination or follow-up examination when a credit union:</p> <ul style="list-style-type: none">• Is issued a published LUA• Is subject to an immediate and/or permanent cease and desist order• Is subject to a prompt corrective action, not including an earnings transfer waiver• Is in conservatorship <p>[Callout box deleted.]</p>
Quality Assurance Program > Examination and Supervision Program Review Process	<p>QCR Appeals</p> <ul style="list-style-type: none">• If an examiner substantially disagrees with significant issues noted in a QCR form, the examiner should discuss the issues with their supervisor.• If the supervisor agrees with the examiner’s position and the concerns are determined to be material, the supervisor first discusses the issues with the DDOS.• If the supervisor does not substantially agree with DOS’ comments, the supervisor will discuss the issues with the DDOS.• If a solution is not reached between the supervisor and DDOS, the examiner will draft a memo to their supervisor outlining the reasons for the disagreement, including any supporting documentation. The supervisor will forward the memo, with their comments, to DDOS with a copy to the ARDP and ARDO.• DOS reviews the supervisor’s memo, documentation, and the examination report to reassess the QCR and revises the QCR Form if appropriate. Absent revision to the QCR Form, DOS prepares a response to the supervisor for the Regional Director’s signature.	<p>Requesting a Correction or Reconsideration of a QCR</p> <p>[CALLOUT BOX: All requests must be submitted within 30 days of the completion of a QCR form, and must be discussed with the DDOS before being submitted for consideration.]</p> <ul style="list-style-type: none">• If an examiner substantially disagrees with significant issues noted in a QCR form, the examiner should discuss the issues with their supervisor.• If the supervisor agrees with the examiner’s position and the concerns are determined to be material, the supervisor first discusses the issues with the DDOS.• The DDOS will review the request and any supporting documentation provided, as well as the examination report (if necessary) to reassess the QCR form. The DDOS is responsible for revising the form, if appropriate.<ul style="list-style-type: none">o DDOS must approve or deny a request within 30 days of receipt.o If the DDOS denies a request to correct a QCR form, the DDOS will prepare a response to the SE and copy the ARDP, ARDO and RD.• If a solution is not reached between the supervisor and DDOS, the examiner will draft a memo to their supervisor outlining the reasons for the disagreement, including any supporting documentation. The supervisor will forward the memo, with their comments, to DDOS with a copy to the ARDP and ARDO. <p>[CALLOUT BOX: Supervisors can also initiate a correction or reconsideration of a QCR if they disagree with DOS’ comments by contacting DDOS.]</p>
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