



**NCUA**  
National Credit Union Administration

**OFFICE OF INSPECTOR  
GENERAL**

**AUDIT OF AMAC'S INTERNAL CONTROLS OVER  
PERSONALLY IDENTIFIABLE INFORMATION IN  
LIQUIDATED CREDIT UNION RECORDS**

**Report #OIG-20-06**

**June 23, 2020**





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## National Credit Union Administration

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### Office of Inspector General

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**FROM:** Inspector General James W. Hage

**SUBJ:** Audit of AMAC's Internal Controls over Personally Identifiable Information in Liquidated Credit Union Records

**DATE:** June 23, 2020

The National Credit Union Administration (NCUA) Office of Inspector General conducted this self-initiated audit to assess the NCUA's Asset Management and Assistance Center's (AMAC) ability to protect personally identifiable information (PII) found within the records of liquidated unions. The objectives of our audit were to determine whether: 1) AMAC management's control activities over the liquidation process adequately considers and safeguards PII from initial identification to destruction; and 2) AMAC's liquidation activities comply with applicable policies, procedures, laws, and regulations relating to the protection of PII.

Results of our audit determined that AMAC's control activities over its liquidation process adequately protected PII. Specifically, we determined that AMAC's staff considered the safeguard of PII during: (1) the pre-liquidation planning process, (2) records maintenance, and (3) destruction of records of liquidated credit unions. In addition, we also determined that AMAC staff charged with overseeing the liquidation of credit unions generally complied with applicable policies and procedures related to the safeguarding of PII.

Our audit determined that AMAC management has led an effort since 2017 to implement policies and procedures for the liquidation process, with a focus on steps AMAC must follow through each process of a liquidation, including ensuring PII is adequately safeguarded. As a result, our audit did not identify any internal control weaknesses in AMAC's liquidation process related to protecting PII. Therefore, we are not making any recommendations.

We appreciate the cooperation and courtesies NCUA management and staff provided to us during the audit. If you have any questions, please contact me at 703-518-6350.

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## TABLE OF CONTENTS

Section	Page
EXECUTIVE SUMMARY .....	1
BACKGROUND .....	2
RESULTS IN DETAIL.....	5
Adequate Internal Controls Exist Over the Pre-Liquidation Planning Process .....	5
Adequate Internal Controls Exist Over Liquidated Credit Union Records .....	6
Internal Controls Over Record Destruction Improved.....	9
APPENDICES:	
A. Objectives, Scope, and Methodology .....	12
B. NCUA Management Response .....	14
C. Acronyms and Abbreviations.....	15



## EXECUTIVE SUMMARY

The National Credit Union Administration (NCUA) Office of Inspector General (OIG) conducted this self-initiated audit to review the NCUA's Asset Management and Assistance Center's (AMAC) ability to protect personally identifiable information (PII) found within the records of liquidated credit unions.<sup>1</sup> The objectives of our audit were to determine whether: 1) AMAC management's control activities over the liquidation process adequately consider and safeguard PII from initial identification to destruction; and 2) AMAC's liquidation activities comply with applicable policies, procedures, laws, and regulations relating to the protection of PII.

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We appreciate the cooperation and courtesies NCUA management and staff provided to us during this audit.

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<sup>1</sup> PII includes credit union members' names, addresses, dates of birth, places of employment, identity documents, social security numbers, and other government-issued identifiers, precise location information, medical history, and biometrics.



## BACKGROUND

The NCUA is an independent federal agency created by the U.S. Congress to regulate, charter, and supervise federally insured credit unions. The NCUA's organizational structure consists of a Central Office, AMAC, and three regional offices.<sup>2</sup>

The Federal Credit Union Act (FCU Act) provides the NCUA with the authority to place a failed credit union into involuntary liquidation.<sup>3</sup> The agency's regional offices are responsible for initiating an involuntary liquidation using procedures and guidelines documented in the *NCUA Enforcement Manual*. The NCUA Board delegated the President of AMAC the responsibility of managing liquidations of credit unions across all NCUA regions. Specifically, the President of AMAC has the authority to exercise all powers of a liquidating agent or conservator of a credit union, including preserving, conserving, selling, collecting upon, or liquidating the assets and property. AMAC staff assigned to liquidate credit unions must follow all federal laws and the NCUA's policies and procedures to properly safeguard PII.

The Privacy Act of 1974 and the E-Government Act of 2002 require federal agencies to protect and secure personal information. The Federal Information Security Management Act of 2002 and subsequent Federal Information Security Modernization Act of 2014 require agencies to develop, document, and implement agency-wide programs to provide security for their information and information systems, which includes PII and the systems on which it resides.

NCUA Instruction 13500.09 (Rev. 1) provides policies and procedures for securing information and devices containing potentially sensitive information.<sup>4</sup> The information may involve credit unions, consumers, other external parties, as well as NCUA staff and contractors. Protection extends to both electronic and hard copy materials. In addition, NCUA Instruction 01200.15 holds NCUA employees, supervisors, and managers accountable for the safeguard of PII in their possession, whether electronic or hard copy, to prevent the breach of such information.<sup>5</sup>

NCUA's liquidation process consists of three phases: liquidation planning, on-site liquidation tasks, and off-site liquidation tasks. Within each of these phases, there are many activities and

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<sup>2</sup> The three regional offices are Eastern, Southern, and Western.

<sup>3</sup> According to §1766 (b)(1) the Board may place any federal credit union in involuntary liquidation and appoint a liquidating agent therefor upon its finding that the organization is bankrupt or insolvent, or has violated any of the provisions of its charter, its bylaws, this chapter, or any regulations issued under the Federal Credit Union Act. In addition, §1787(a)(1)(A), Payment of insurance - requires upon its finding that the federal credit union is bankrupt or insolvent, the Board shall close such credit union for liquidation and appoint itself liquidating agent.

<sup>4</sup> *Security of Sensitive Information*, August 2015.

<sup>5</sup> *Rules and Consequences for Safeguarding Personally Identifiable Information*, October 2007.



requirements that must be met, but the following provides a basic overview of the three phases of the liquidation process:

### *Liquidation Planning*

Regional directors typically try to advise AMAC of an upcoming liquidation at least 30 days of the expected liquidation date. However, advance notice of liquidations may not always be possible when serious problems arise quickly. As part of the planning process, credit union information is gathered as soon as it is available. In many cases, AMAC must rely on information from the region and from Credit Union Online.<sup>6</sup> If the information is not available before liquidation, it is gathered directly from the credit union upon liquidation.

Once AMAC management confirms a liquidation will take place, the assigned liquidation analyst within AMAC's Division of Liquidations and Member Services (DLMS) begins drafting the *Pre-liquidation Planning Memo* (planning memo) to document coordination, schedules, and other appropriate topics. The planning memo includes information such as:

- Type of action planned (liquidation<sup>7</sup> or Purchase and Assumption (P&A)<sup>8</sup>);
- Regional summary or exam reports;
- Credit union background and operation information such as:
  - Charter information,
  - Servicers and credit union service organizations, and
  - Services offered to members.
- Financial information;
- Computer system information, and
- Physical site information (e.g., size and location of main and branch offices, hours, and location of off-site storage).

### *On-Site Liquidation Tasks*

When AMAC staff are on-site during an involuntary liquidation, the region retains full responsibility for the federal credit union up to the point of delivery of the *Notice of Liquidation* (liquidation order) to the credit union officials. In the case of a federally insured, state-chartered

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<sup>6</sup> A web-based program used by credit unions and state supervisory agencies to submit and certify operational and quarterly information to the NCUA.

<sup>7</sup> Liquidation means a credit union that has been closed.

<sup>8</sup> P&A is when a federally insured credit union or other federally insured financial institution assumes or purchases all or part of a liquidating credit union.



credit union, the state regulator retains full responsibility until the NCUA has accepted appointment as liquidating agent. When the liquidation order is delivered, AMAC staff collects and secures all hard copy and electronic records and transfers this information to its contractor for storage in a secured warehouse. The on-site phase of the liquidation may take from 2 days for a simple P&A, up to 1 week or more for a liquidation with no continuation of services.

### *Off-Site Liquidation Tasks*

AMAC staff conducts the remainder of the liquidation process at its office in Austin, Texas, which includes the lead DLMS analyst preparing and providing the payout workbook to the DLMS Director for approval. The payout workbook identifies the specific shares and loans acquired in the liquidation, and includes the share insurance payment amounts to members. In addition, off-site liquidation tasks include:

- Preparing a civil litigation memorandum to the NCUA's Office of General Counsel of any ongoing or potential litigation;
- Communicating with interested third parties (e.g., payment processors, creditors, or financial institutions interested in purchasing assets or acquiring the credit union membership);
- Identifying contracts and lease agreements that need to be repudiated;<sup>9</sup> and
- Determining which records are needed to perfect proof of loss needed to support an insurance bond claim.

Also during the final phase of the liquidation process, the records disposal occurs considerably later than the other items in the bulleted list above, based on the *NCUA's Comprehensive Records Schedule* (records schedule).

### *Enhancing the Liquidation Process*

In 2017, the current AMAC President assumed responsibility to manage AMAC's day-to-day operations. Our audit found that in early 2017, AMAC began creating numerous policies and establishing detailed procedures for AMAC staff to follow when liquidating credit unions. During the scope period of our audit, AMAC management continued to implement new policies and procedures to improve controls over the liquidation process. In addition, although outside the scope of our audit, we noted AMAC continued their efforts to improve the liquidation process in 2019 and 2020.

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<sup>9</sup> To reject as having no authority or binding force.





## RESULTS IN DETAIL

The objectives of our audit were to determine whether: 1) AMAC management's control activities over the liquidation process adequately safeguarded PII from initial identification to destruction; and 2) AMAC's liquidation activities complied with applicable policies, procedures, laws, and regulations related to the protection of PII. Our audit determined that AMAC had adequate controls over all three areas of the liquidation process to safeguard PII. As detailed below, AMAC staff considered the safeguard of PII during the (1) pre-liquidation planning process, (2) records maintenance, and (3) destruction of records of liquidated credit unions. We also determined that AMAC staff generally complied with all applicable policies and procedures related to protecting the records that contained PII found when liquidating credit unions.

### **Adequate Internal Controls Exist Over the Pre-Liquidation Planning Process**

We determined that AMAC's pre-liquidation planning process had adequate controls in place to ensure that PII found in credit union records was sufficiently safeguarded. Specifically, results of our testing determined that AMAC staff adequately planned liquidations by considering PII – and safeguarding it once identified. NCUA Instruction 13500.09

(Rev. 1) provides policies and procedures for securing information and devices containing potentially sensitive information. The information may involve, but is not limited to, credit unions, consumers, other external parties, as well as NCUA staff and contractors. Such documentation includes both electronic and hard copy materials. We found that AMAC has policies and procedures in place for staff to follow during the collection of records containing PII. As a result, we determined the control activity over AMAC's pre-liquidation process related to safeguarding PII was sound.

### *Details*

AMAC's proper handling of PII is critical to accomplishing its mission. To prepare and plan for a pending liquidation, the lead DLMS analyst prepares a *Pre-Liquidation Planning Memo* (planning memo) that provides information to facilitate the liquidation process and describes how PII, if found at a failed and liquidated credit union, will be safeguarded.<sup>10</sup> The planning memo, which is reviewed and approved by the President of AMAC, considers, for example, on-site security needs such as access to consumer accounts and services and records integrity if the liquidation was due to fraud. The lead DLMS analyst also uses a *Liquidation Checklist* (checklist), which is a tool AMAC designed to assist with pending credit union liquidation cases. This checklist can be customized depending on the circumstances for each pending case.<sup>11</sup>

Instruction 13500.09 (Rev. 1) requires the NCUA staff to properly secure information in order to prevent disclosure to unauthorized parties. We conducted testing to determine whether the planning memos and associated checklists prepared by the lead DLMS analyst considered PII

<sup>10</sup> DLMS-LQ-001, August 2015.

<sup>11</sup> DLMS-LQ-020, February 2017.



during this phase. In addition, we determined how AMAC staff, once on-site at the liquidated credit union, safeguarded any identified PII.

During our audit, to review AMAC's adherence to Instruction 13500.09 (Rev. 1), we selected a judgmental sample of 5 planning memos from liquidated credit unions for testing. However, we could not test 1 of the 5 planning memos because AMAC could not locate it. An AMAC official later informed us that the memo in question had been eligible for destruction as of December 2018, and was purged. As a result, our conclusion relied on 4 sampled planning memos.

### *Planning Memos*

Results of our audit determined that for all 4 of the planning memos, the lead DLMS analysts considered PII along with its safeguarding. Specifically, we determined the planning memos addressed items such as:

- Restoring deleted records at AMAC as opposed to restoring them on-site;
- Performing a forensic imaging of the liquidated credit union's computer using AMAC equipment;
- Transporting the liquidated credit union's computers and records to the liquidation team's alternate site to arrange for pick-up and delivery using the NCUA's shipping contract carrier;
- Obtaining all records in 1 day when AMAC was unable to immediately secure the liquidated credit union facility; and
- Ensuring the retention of the liquidated credit union's bond policy and associated contracts due to the potential of filing a loss claim.

Based on our review of AMAC's policies and procedures, sampled documents, and interviews with staff, we determined AMAC maintained adequate internal controls over its pre-liquidation process. As a result, we are not making a recommendation at this time.

**Adequate Internal  
Controls Exist Over  
Liquidated Credit Union  
Records**

We determined that AMAC staff adequately safeguarded records found to contain PII during record collection and inventory, shipment to the secured warehouse contractor, and post-liquidation record maintenance. AMAC has established various policies and procedures related to the liquidation process. NCUA Instruction 13500.09 (Rev. 1), provides requirements NCUA staff must follow in securing information and devices containing potentially sensitive information. AMAC staff must adhere to this Instruction when they take possession of liquidated credit union records that contain PII and other sensitive information. In addition, AMAC staff must ensure this information is properly secured and controlled from unauthorized



access and use to mitigate any potential risks that could be harmful to consumers, the NCUA, the liquidated credit union, or the liquidated credit union's affiliated parties.

The following presents our test results related to AMAC's activities to safeguard records containing PII during: 1) record collection and inventory, 2) shipment to the secured warehouse contractor, and 3) post-liquidation record maintenance.

### *Collection and Inventory of Records*

During our audit, we learned that the liquidation team obtains documents during the liquidation process that contain a multitude of sensitive<sup>12</sup> information, including PII. To preserve hard copy and electronic records, the liquidation team takes over the credit union and its systems (or computer systems). NCUA Instruction 13500.09 (Rev. 1) requires that hard copy and electronic records containing sensitive information be properly secured and controlled and records taken off-site be sealed in a container and shipped using the NCUA's contracted shipping carrier. This same Instruction also requires that electronic records containing sensitive information be maintained in an encrypted manner while in transit and in storage.

We tested AMAC's controls over the collection and inventory of records found at liquidated credit unions. We judgmentally selected 11 boxes of records from 5 liquidated credit unions during the scope period of our audit. We conducted this test to assess AMAC's adherence to its *Records Inventory and Boxing* procedures, which provides step-by-step instructions on the collection and inventory process.<sup>13</sup> Results of our test determined that for all 11 boxes, AMAC's Records Retention Coordinators (RRC) completed the on-site inventory form. We determined the inventory form identified the types of information collected while on-site, with 8 of the 11 inventory forms containing information that AMAC considered to be PII. These 8 forms contained such hard copy records as bond loan files with account numbers, credit applications, and construction loan files with credit union members' names.<sup>14</sup>

### *Shipping Records to Secured Warehouse*

During our audit, we learned that the lead DLMS analyst assigns staff to ship liquidated credit union records to the secured warehouse contractor.<sup>15</sup> NCUA Instruction 13500.09 (Rev. 1) requires NCUA staff to use the agency's contract carrier when shipping records. The DLMS liquidation team used the following guidance to control the shipping of records: *Records*

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<sup>12</sup> Sensitive information is any information concerning a person or organization that is not public information, including any non-public PII. This information could be used to cause harm (physical, financial, reputational) to a credit union, consumer, or any other party external to the NCUA.

<sup>13</sup> DLMS-RM-403, November 2018.

<sup>14</sup> Three of the 11 inventory forms did not identify sensitive information, the forms from these boxes contained financial reports and daily work. In addition, none of the 11 inventory forms we tested contained electronic materials.

<sup>15</sup> Shipments can contain both hard copy records and electronic devices.



*Shipping*<sup>16</sup> for hard copy records and *Electronic Data Security Handling*<sup>17</sup> for electronic devices to control the shipping process.

We tested AMAC's controls over shipping of liquidated credit union records to its contractor for storage in the secured warehouse. Using the same judgmental sample of 11 boxes selected from the same 5 liquidated credit unions, we determined AMAC shipped the records to the secured warehouse contractor. However, all records of the process were not maintained. Specifically, we determined AMAC did not maintain delivery confirmation receipts for the liquidated credit union boxes shipped to the secured warehouse contractor because there was no specific policy requiring staff to maintain such receipts. As a result, AMAC was unable to provide evidence of the shipments.

To provide us with supporting documentation, AMAC staff attempted to obtain the delivery confirmation receipts from the contract carrier's website for each of the items selected in our sample. However, the contract carrier's retention period to keep the receipts had expired; therefore, AMAC was unable to provide us with supporting documentation. To compensate for this lack of documentation and to complete our testing, we obtained and reviewed a listing from the secured warehouse contractor's website. The listing identified each item in our sample and served as proof that the secured warehouse contractor had received each of the sampled boxes selected for our test.

In May 2019, AMAC management implemented its shipping policies and procedures titled *Shipped Records Verification*.<sup>18</sup> Although outside the scope of our audit, we determined this policy, which now requires the DLMS RRC staff to maintain all delivery confirmation receipts for liquidated credit union records sent to the secured warehouse contractor, will enhance the controls over AMAC's shipping process of liquidated credit union records. As a result, we are not making a recommendation at this time.

#### *Requesting and Returning Records Process*

As previously mentioned, AMAC uses a contractor to store liquidated credit union records in a secured warehouse. Continually, AMAC staff requires the use of these records for the purpose of research or other legal and administrative matters pertaining to a liquidation. Although AMAC management did not have a policy in place over this process during the scope period of our audit, we learned that all requests for records from a previously liquidated credit union maintained at the secured warehouse must be initiated through the DLMS RRC in order to maintain control over this process.

We tested controls over the request and return of records process between AMAC and the secured warehouse contractor to determine whether PII was adequately safeguarded while the

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<sup>16</sup> DLMS-RM-404, November 2018.

<sup>17</sup> DLMS-RM-401, AMAC did not have a published implementation date for this title; however, in April 2019, AMAC updated this policy with a title change, *Electronic Media Security*.

<sup>18</sup> DLMS-RM-406, May 2019.



records were in transit. Specifically, we selected a judgmental sample of 5 boxes that AMAC staff requested from the secured warehouse between January and December 2018. For each of the sampled boxes, we obtained and reviewed documentary evidence to verify the following:

1. Requests for records made by AMAC staff to the DLMS RRC;
2. Requests made by the DLMS RRC to the secured warehouse to retrieve the requested records;
3. Requests for return of records by AMAC staff to the DLMS RRC;
4. Requests made by the DLMS RRC to the secured warehouse for pick up; and
5. Secured warehouse's documentation that the DLMS RRC returned the requested records.

Results of our testing determined that for 4 of the 5 processes outlined above, we were able to review documentation and confirm that records containing PII in transit between AMAC and the secured warehouse contractor were adequately controlled, and therefore safeguarded. For number 3 above, *Requests for return of records by AMAC staff to the DLMS RRC*, 2 of the 5 boxes in our sample did not have documentation to support that controls over PII were adequate.

We discussed this issue with an AMAC official who advised us there was a draft policy over the process of requesting and returning liquidated credit union records. We later learned that AMAC management formally implemented a policy in August 2019 related to the request and return of records titled: *RRC Hard copy Records Request Management*.<sup>19</sup> Although outside the scope period of our audit, we reviewed this policy, which now requires the RRC to notify (via email) the requestor of the records' arrival and AMAC staff to notify (via email) the DLMS RRC of the return of the records. We believe this policy will enhance the controls over the request and return of liquidated credit union records. Because our testing found no significant internal control deficiencies with the request and return process, as well as AMAC's new policy that provides additional guidance, we are making no recommendations at this time.

**Internal Controls Over  
Records Destruction  
Improved**

Internal controls over AMAC's records destruction process for liquidated credit union records improved. However, we were unable to test controls over AMAC's records destruction process during the scope period of our audit because AMAC: (1) had not implemented policies or procedures over the destruction of records; and (2) was advised in 2016 to defer records destruction until updated records schedules for liquidation records were approved by the National Archives and Records Administration in 2017; and (3) was reluctant to dispose of such records until the process with the secured warehouse contractor could be established.

<sup>19</sup> AMAC-RM-007, August 2019.



We learned that AMAC destroyed liquidated credit union records between 2008 and 2016. Specifically, AMAC destroyed records in 2012, 2013 and 2014 under the FCU Act, which permits destruction of records after the end of the 6-year period beginning on the date the Board is appointed as liquidating agent or after the expiration of 5 years from the date of cancellation of the charter of the credit union. However, the NCUA may destroy records unless directed not to do so by a court competent jurisdiction or governmental agency, or prohibited by law.<sup>20</sup> An AMAC official informed us that the liquidation dates for the records destroyed in 2012 and 2013 spanned from the 1990s to 2006 and that the records destroyed in 2016 had been related to liquidations that had occurred in 2006 and 2007. Therefore, we determined these records to be outside the scope period of our audit.

During our audit, we learned that the NCUA had a records schedule in effect dated September 2009, which permitted destruction of records 20 years after the completion of the liquidation. Based on our review of the NCUA's records schedule, AMAC's draft policy on records destruction,<sup>21</sup> and AMAC's records destruction process memo<sup>22</sup> we determined that each of these policies contradicted the FCU Act. Specifically, the draft policy and destruction process memo allowed for the destruction of liquidated credit union records 10 years from the date of the appointment of the liquidating agent, or longer for fraud. In addition, as previously mentioned, the NCUA's records schedule permitted destruction of records 20 years after the completion of the liquidation. To mitigate these conflicts, an AMAC official informed us that they began working in 2013 to update the records schedule to include a distribution timeframe consistent with the FCU Act and other federal records schedules.

However, in December 2016 AMAC management informed all AMAC staff not to destroy records less than 20 years old. AMAC staff could not destroy these liquidated credit union records because there was no records retention schedule in place for the statutory timeframes and the NCUA was waiting on the approval from the National Archives and Records Administration of the records schedule. The NCUA records schedule was implemented in December 2017.

During the scope period of our audit, the process for the destruction of liquidated credit union records was as follows:

- The DLMS RRC identified the liquidated credit union records according to the NCUA's records schedule.
- Before destroying any records, AMAC management conducted reviews of the records and provided concurrence or non-concurrence as to whether or not AMAC should destroy the records.
- The President of AMAC had final approval of all record destructions.

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<sup>20</sup> FCU Act §1787(b)(15)(D)(i) and (ii).

<sup>21</sup> Policy 1113 – *Records Destruction*, dated December 2010.

<sup>22</sup> Dated June 2013.





- Destruction of the liquidated credit union records occurred by a pre-approved professional records company for sensitive and confidential records, i.e., records with addresses, phone numbers, Social Security Numbers, account numbers, and account balances, etc.
- The DLMS RRC obtained the *Certificate of Destruction* (certificate) for the file.

AMAC improved its process for the safeguard of PII in the destruction process by implementing the NCUA's records schedule. In addition, after the scope period of our audit, AMAC issued a new policy titled *Hard Copy Record Destruction*<sup>23</sup> that incorporates the destruction process with the secured warehouse contractor. AMAC improved its policy and process by including the following:

- The DLMS RRC is the only staff that has the authority to request the secured warehouse contractor to destroy records.
- Depending of the type of record (general, accounting, and records acquired in liquidation, loan and collection, real property sales, or financial management), the records schedule requires the destruction of liquidated credit union records in 5, 6, or 10 years at the cut-off of the calendar or fiscal year after a final event occurs.<sup>24</sup>
- The DLMS RRC receives the certificate and enters the destruction date in AMAC's system. This date updates the system's status field to "destroyed" and the Records schedule field to remove the record from the inventory.

In July 2019, having finalized the process with the secured warehouse contractor, AMAC resumed destruction of liquidated credit union records. We reviewed the secured warehouse contractor's certificate, which provided confirmation to AMAC that the contractor had destroyed the records. As previously mentioned, although outside the scope period of our audit, AMAC's new record destruction process improves internal controls over PII contained in liquidated credit union records. Therefore, we are making no recommendations at this time.

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<sup>23</sup> AMAC-RM-501, January 2019.

<sup>24</sup> Types of final events include such outcomes as charter cancelled, debt fully repaid or otherwise resolved, or sale/resolution.



## APPENDIX A

**OBJECTIVES, SCOPE, AND METHODOLOGY**

We developed our objectives for this engagement from the OIG's 2019 Annual Performance Plan. Specifically, our objectives were to determine whether: 1) AMAC management's control activities that supports the liquidation process adequately considers and safeguards PII from initial identification to destruction; and 2) AMAC's liquidation activities comply with applicable policies, procedures, laws, and regulations as they relate to the protection of PII.

To accomplish our objectives, we conducted fieldwork at NCUA's Central Office in Alexandria, Virginia and at the AMAC in Austin, Texas. The scope of this audit focused on full liquidations and liquidations with P&A during the period of January 2008 through December 2018.

To achieve our objectives we:

- Reviewed the *NCUA's Delegations of Authority* related to AMAC's authority as liquidating agent.
- Reviewed the NCUA's Instructions related to the rules and consequences for safeguarding PII, and the security of sensitive information.
- Reviewed AMAC's policies and procedures related to considerations of PII or the safeguarding of PII during the liquidation process.
- Interviewed and obtained an understanding of the liquidation process from AMAC management and staff.
- Judgmentally selected a sample of 5 liquidated credit unions to determine whether AMAC considered PII in the pre-liquidation memorandum.
- Judgmentally selected 11 boxes from the same 5 liquidated credit unions to determine whether controls were maintained to safeguard PII during the collection, inventory, and shipment of liquidated credit union records.
- Obtained a listing of box requests AMAC staff made to the secured warehouse contractor for liquidated credit union records from January 2018 through December 2018, which was the only portion of our audit scope period where these requests were available. Judgmentally selected a sample of 5 box requests to test the controls over the request and return process to and from the secured warehouse contractor.
- Performed a walkthrough of the storage facility at AMAC, where some liquidated credit union records (real estate owned and loans) are maintained.





- Reviewed AMAC's policies and procedures to determine the systems used to maintain electronic liquidated credit union records.

We used computer-processed data from an AMAC system. We did not test controls over this system but we relied on our analysis of information from management reports, correspondence files, and interviews with management to corroborate data obtained from this system to support our audit conclusions.

We conducted this audit from June 2019 through June 2020 in accordance with government auditing standards (Yellow Book) and included such tests of internal controls as we considered necessary under the circumstances.<sup>25</sup> Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>25</sup> The 2011 version of the Yellow Book was applicable during the scope period of our audit.



## APPENDIX B

### NCUA MANAGEMENT RESPONSE



National Credit Union Administration  
Office of the Executive Director

#### SENT BY EMAIL

**TO:** Inspector General James W Hagen  
**FROM:** Executive Director Larry Fazio **LARRY FAZIO** Digitally signed by LARRY FAZIO  
Date: 2020.06.22 08:47:55 -04'00'  
**SUBJ:** Management Response – OIG Draft Report – Audit of AMAC's Internal Controls  
over Personally Identifiable Information in Liquidated Credit Unions  
**DATE:** June 22, 2020

The following is our response to the Office of Inspector General's draft report titled *Audit of AMAC's Internal Controls over Personally Identifiable Information in Liquidated Credit Unions*. We concur with the report and its conclusions, and noted there are no official recommendations.

The NCUA considers the protection of Personally Identifiable Information a fundamental component of protecting credit union members. The stewardship of member information is taken very seriously and we are deliberate with our approach to maintain strong controls over this information. Our internal controls process allows us to identify risks and ensure controls are established, documented, communicated to staff and carried out.

Thank you for the opportunity to review and comment on the report. We appreciate your contributions and insight, which will enhance NCUA's protection of Personally Identifiable Information found within the records of liquidated credit unions.

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1775 Duke Street – Alexandria, VA 22314-6113 – 703-518-(Insert  
Main Office No.)



## APPENDIX C

## ACRONYMS AND ABBREVIATIONS

ACRONYMS	TERMS
<b>AMAC</b>	Asset and Management Assistance Center
<b>certificate</b>	Certificate of Destruction
<b>DLMS</b>	Division of Liquidation Management Services
<b>FCU Act</b>	Federal Credit Union Act
<b>checklist</b>	Liquidation Checklist
<b>NCUA</b>	National Credit Union Administration
<b>records schedule</b>	NCUA's Comprehensive Records Schedule
<b>liquidation order</b>	Notice of Liquidation
<b>OIG</b>	Office of Inspector General
<b>PII</b>	Personally Identifiable Information
<b>planning memo</b>	Pre-Liquidation Planning Memo
<b>P&amp;A</b>	Purchase and Assumption
<b>RRC</b>	Records Retention Coordinator