



FARM CREDIT ADMINISTRATION OFFICE OF INSPECTOR GENERAL

Semiannual Report to Congress

October 1, 2017 through March 31, 2018



Message from the Inspector General

I am pleased to submit this Semiannual Report to Congress, which addresses the many changes we have made in the Office of Inspector General (OIG), and the activities and accomplishments of our office in the Farm Credit Administration (FCA or Agency) for the period from October 1, 2017 through March 31, 2018.

During this reporting period, our office underwent changes involving reduced staff and greater efficiency. Since the first of the year, we have been using the shared legal and investigative services of the Treasury Inspector General for Tax Administration (TIGTA). It is reassuring to know that the exceptional staff at TIGTA support us for both legal and investigative advice.

During this reporting period, the audit, inspection, and evaluation activities of our office focused on Agency physical security in two FCA field offices, FCA's Office of Secondary Market Oversight, and travel compensation and incentives. We also introduced an evaluation product that will benchmark our information technology spending and use of contractors against the other federal financial regulators to better inform the FCA Board's decisions and policy. This past year Brown and Company audited FCA's compliance with the Federal Information Security Modernization Act of 2014 and concluded FCA's information security program was effective. The Agency received another clean opinion on its financial statements from the outside auditing firm, Harper, Rains, Knight & Company, P.A. (HRK). We contracted with HRK for the audit of FCA's fiscal year 2018 financial statements, a contract that can be renewed every year up to the next 4 years.

Our office conscientiously carries out its reporting duties to the FCA Board and Congress. We held two quarterly briefings with each of the three members of the FCA Board and met with our oversight committees in both the Senate and the House. We also continued our outreach efforts, publishing the second issue of our internal newsletter, the *dIG*, and participated in several *Council of the Inspectors General on Integrity and Efficiency* committees and workgroups, including the workgroup that reviewed the top management and performance challenges reported throughout multiple federal agencies.

This reporting period, FCA welcomed Glen R. Smith, our newest member of the FCA Board, whose term runs from December 8, 2017 to May 21, 2022. Board Member Smith hails from Atlantic, Iowa, with experience in farm management, land appraisal, and farmland brokerage services. He also owns a family farm operation that encompasses about 2,000 acres of primarily corn and soybeans. We welcome Board Member Smith to the Agency.



Wendy R. Laguarda
Inspector General



Abbreviations

Agency	– Farm Credit Administration
Charge Card Act	– The Government Charge Card Abuse Prevention Act of 2012
CIGIE	– Council of the Inspectors General on Integrity and Efficiency
FAMC	– Federal Agricultural Mortgage Corporation
FCA	– Farm Credit Administration
FCS	– Farm Credit System
FISMA	– Federal Information Security Modernization Act of 2014
FLRA	– Federal Labor Relations Authority
FY	– Fiscal Year
HRK	– Harper, Rains, Knight & Company, P.A.
IAA	– Inter-Agency Agreement
IG	– Inspector General
IG Act	– Inspector General Act of 1978, as amended
IT	– Information Technology
OCPA	– Office of Congressional and Public Affairs
OE	– Office of Examination
OIG	– Office of Inspector General
OIT	– Office of Information Technology
OMB	– Office of Management and Budget
OSC	– Office of Special Counsel
OSCRA	– OSC Reauthorization Act of 2017
OSMO	– Office of Secondary Market Oversight
PPP	– Prohibited Personnel Practice
Pub. L.	– Public Law
System	– Farm Credit System
TIGTA	– Treasury Inspector General for Tax Administration
WPA	– Whistleblower Protection Act of 2017

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Mission, Vision, Values, Goals

Our Mission

The OIG's independent eyes, ears, and voice serve to protect, inform, and advance Agency programs and operations.

Our Vision

Harvesting Change

Our Values

Relevant, Respectful, Trustworthy, and Objective

Our Goals

- 1. Detect and Deter Fraud, Waste, and Abuse*
- 2. Investigate and Protect Against Wrongdoing*
- 3. Promote Quality and Value*
- 4. Advance FCA's Future*

GOAL 1	GOAL 2	GOAL 3	GOAL 4
Perform risk-based audits, inspections, and evaluations	Guard confidentiality	Create benchmarks for improved Agency decision making	Recruit, retain, and empower a diverse workforce
Reinforce the OIG as a safe zone for reporting fraud, waste, and abuse	Produce timely, clear, focused, and factual reports of investigation	Ensure the OIG and FCA are models for good government	Promote leadership, vision, and expertise
Listen to and understand the needs, challenges, and interests of our stakeholders	Provide outreach on how to prevent fraud, waste, and abuse	Produce OIG products that are timely, relevant, reasonable, and helpful	Leverage technology

Source: FCA OIG's [Strategic Plan](#)

Background

Farm Credit Administration

The Farm Credit Administration (FCA or Agency) is an independent federal agency of the United States government responsible for the regulation and examination of Farm Credit System (FCS or System) institutions chartered under the Farm Credit Act of 1971, as amended.

As a non-appropriated agency, FCA funds its expenses primarily by assessing the FCS institutions. FCA's revised budget for fiscal year (FY) 2018 is \$70,600,000.

At the end of the prior semiannual reporting period, the Agency had 299 employees. As of the end of this reporting period, FCA has 300 employees, about half of whom are examiners located in the Agency's five field offices as shown below.



Farm Credit System

The System is a government-sponsored enterprise comprised of 3 Farm Credit Banks, 1 Agricultural Credit Bank, 1 Federal Land Credit Association, and 68 Agricultural Credit Associations that primarily makes loans to agriculture in all 50 states and Puerto Rico. The System raises funds by selling securities in the national and international money markets through its special purpose entity, the Federal Farm Credit Banks Funding Corporation. These securities are not guaranteed by the U.S. government.

The Federal Agricultural Mortgage Corporation (FAMC), also a part of the System, is chartered by the federal government to provide a secondary market for agricultural mortgage loans. FAMC is publicly traded and issues its own debt securities. Additionally, there are five active service corporations that provide services to FCS entities and eligible borrowers.

Background

Office of Inspector General

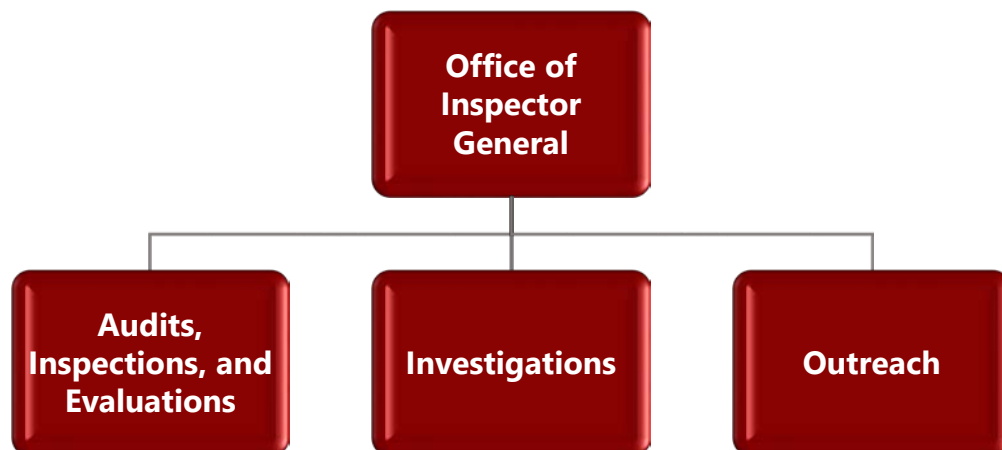
The mission of the Office of Inspector General (OIG) is as follows:

The OIG's independent eyes, ears, and voice serve to protect, inform, and advance Agency programs and operations.

The Inspector General Act of 1978, as amended (IG Act), established the FCA OIG in 1989. The Inspector General (IG) is appointed by the FCA Board without regard to political affiliation and solely based on integrity and demonstrated ability in accounting, auditing, financial analysis, management analysis, investigations, law, or public administration.

While the OIG is under the general supervision of the FCA Board, it operates with independent hiring, contracting, and budget authority. The IG reports both to the FCA Board and to Congress.

The three major components for this reporting period include audits, inspections, and evaluations of programs and operations, investigations, and outreach.



Background

Office of Inspector General

OIG Staff

OIG employees continually seek ways to improve skills and become knowledgeable in the initiatives of the IG community. OIG staff must meet continuing education requirements. Development plans are used to identify long- and short-term career goals along with specific training and developmental needs. These plans are geared toward enhancing individual skills in the performance of official duties, cross training, succession planning, and meeting the criteria needed to achieve OIG performance goals and objectives.

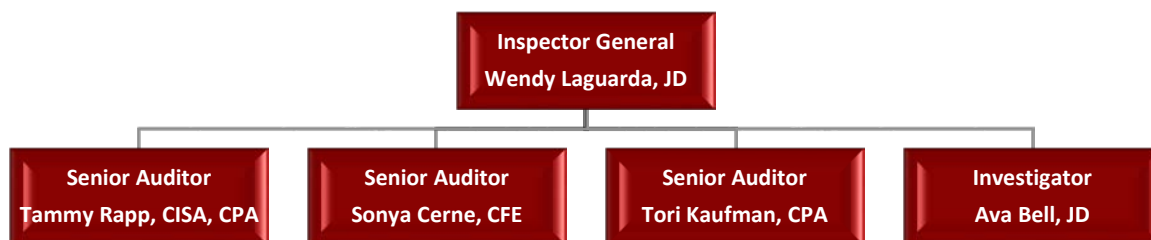
Changes in the OIG

Earlier this year, Ava Bell, whose duties include management and program analyst functions, took the training course conducted by the Inspector General Criminal Investigator Academy to become an 1810 investigator. Ms. Bell began her primary duties as an 1810 investigator for the OIG starting in March 2018, while continuing her secondary analyst role.

In November 2017, our office executed an Inter-Agency Agreement (IAA) with the Treasury Inspector General for Tax Administration (TIGTA) to obtain legal and investigative services, as necessary. The IAA runs from January 1 through September 30, 2018, at which time we will reassess this shared services arrangement with the possibility of renewing for another fiscal year.

We are very grateful to the exceptional lawyers and investigators at TIGTA for providing us with needed legal and investigative support.

The following organizational chart shows the OIG as of March 31, 2018:



Strategic Goals

Goal 1: Detect & Deter Fraud, Waste & Abuse

To accomplish our mission, the OIG identified four strategic goals in our [Strategic Plan](#). The following summarizes our strategic goals and related outcomes during this reporting period.

Critical to the OIG's mission is detecting and deterring fraud, waste, and abuse. We employ a multi-faceted approach of detection and deterrence that includes:

- Performing risk-based audits, inspections, and evaluations.
- Reinforcing the OIG as a safe zone for reporting fraud, waste, and abuse.
- Listening to and understanding the needs, challenges, and interests of our stakeholders.

During this reporting period, we issued three audit reports and two inspection reports, with two reviews in progress. The in-progress reviews include an information technology (IT) budget benchmarking study and a physical security inspection of the Dallas office.

The OIG hotline is available 24/7 to confidentially receive tips and complaints about fraud, waste, or abuse relating to FCA programs and operations. The OIG has telephone and fax numbers, as well as an independent hotline email account. Only OIG staff have access to these avenues that allow individuals to report allegations to the OIG directly and confidentially.

Communication with Agency stakeholders is another key aspect of the OIG's oversight. During our reviews, we continually meet with Agency officials to keep them informed of our progress, results, and areas for improvements. The IG regularly meets with FCA Board Members to discuss work products, Agency priorities, and any concerns. The IG and OIG staff also frequently interact with Agency staff and managers to obtain an understanding of their needs, challenges, and interests in our work.

An OIG goal is to work diligently with Agency management to obtain agreement on planned actions addressing any recommendations resulting from an audit, inspection, or evaluation. Management identifies planned actions they will take to address any recommendations before we issue a final report. Once the OIG is satisfied with management's planned actions, we convert our "recommendation" to an "agreed-upon action" before issuing our final report. In some instances, corrective action is completed prior to issuing a final report. We are pleased to recognize completed actions in the final report. During this reporting period, Agency management agreed with all our recommendations and developed corrective action plans.

Strategic Goals

Goal 2: Investigate & Protect Against Wrongdoing

The OIG conducts timely, relevant, and high-quality investigations. Our investigative reports fairly and accurately report our findings and may offer actions for consideration to correct and deter future misconduct, fraud, waste, or abuse.

The OIG employs the following actions in support of this goal:

- Guard confidentiality
- Produce timely, clear, focused, and factual reports of investigation
- Provide outreach on how to prevent fraud, waste, and abuse

Our investigative procedures and internal controls are designed, to the extent possible, to guard the confidentiality of all complainants and persons involved in the investigative process. As provided by the IG Act, the FCA OIG will not disclose the identity of a complainant without the consent of the complainant, unless the IG determines that such disclosure is unavoidable during an investigation. To ensure all relevant aspects of the investigation are accurately and objectively addressed in our reports, our investigations manual describes: the process for developing an investigation plan and obtaining IG approval; legal requirements during an investigation; communications and case management; reporting procedures; and referrals to FCA. The OIG follows the Council of Inspectors General on Integrity and Efficiency (CIGIE) *Quality Standards for Investigations* as guidance for all its investigative activity.

OIG evaluates all complaints, examining jurisdictional issues, the nature of the allegation, and other factors. We also receive complaints from borrowers or potential borrowers in the System regarding their lending rights or alleged wrongdoing in an FCS institution. We refer these complaints to the FCA Office of Congressional and Public Affairs (OCPA), as required by Agency policy, and follow up, as appropriate. The OIG also assesses availability of records and other factors to determine whether the complaint includes allegations of criminal, civil, or administrative violations that necessitate a formal investigation. During this reporting period, the OIG reviewed 13 complaints and did not open any formal investigations.

The OIG participates in FCA's new employee training to discuss our investigative program, and we distribute posters identifying hotline contact information, as well as Office of Special Counsel (OSC) notices. This reporting period, we updated the OIG whistleblower page to more clearly explain whistleblower protections.

Strategic Goals

Goal 3: Promote Quality & Value

As the safety and soundness regulator of the System, FCA ensures the well-being and future of agricultural producers and rural communities. OIG is committed to promoting FCA's quality of oversight and maximizing the value of funds invested in such oversight.

The OIG performs the following actions in support of this goal:

- Create benchmarks for improved Agency decision making
- Ensure the OIG and FCA are models for good government
- Produce OIG products that are timely, relevant, reasonable, and helpful

During this reporting period, the OIG initiated a benchmarking study of IT spending and use of contractors. The purpose of this benchmarking study is to determine the changes in IT spending and use of contractors over the past three years and compare FCA's IT budget and use of contractors to other federal financial regulators.

The OIG is continuously working to ensure compliance with standards, improve internal processes, and advance professional competencies. During this period, we continued to review and update our office directives. We prioritize staff training to meet requirements for professional education and gain new skills.

OIG products are generally completed in six months or less. Our audit, inspection, and evaluation work is risk based to align with top management and performance challenges at the Agency. This reporting period, our work included 14 agreed-upon actions to improve the Agency.

Strategic Goals

Goal 4: Advance FCA's Future

The OIG continuously strives to advance excellence and innovation in our own organization and operations.

The OIG employs the following actions in support of this goal:

- Recruit, retain, and empower a diverse workforce
- Promote leadership, vision, and expertise
- Leverage technology

The OIG continuously works to retain and empower a diverse workforce. This reporting period, each OIG employee received training for professional development. Although the OIG is not currently recruiting for positions, the IAA with TIGTA provides an opportunity for diversity in our workforce.

OIG staff assume leadership roles in the IG community. Staff auditors participate on various CIGIE committees and workgroups. One senior auditor teaches for CIGIE and was recognized with an "Adjunct Instructor of the Year" award. OIG staff maintain various professional certifications in different areas of expertise, including: auditing, IT auditing, accounting, fraud, legal, and mediation.

One example of the OIG leveraging technology is our initiative to adopt an email record retention policy. The Office of Management and Budget (OMB) requires federal agencies to manage all email records in an electronic format by December 31, 2016.¹ Capstone was developed to offer agencies a simplified and automated approach to managing email. This reporting period, the OIG evaluated the Capstone approach, made the determination to use Capstone, and adopted a policy for such use.

In addition, the OIG embraces technology to increase our efficiency. We are currently exploring other automated workpaper solutions to determine the best solution for our needs.

¹ [OMB Memorandum M-14-16, Guidance on Managing Email \(September 15, 2014\)](#)

Performance Measures

The following discussion describes the performance measures of our office, as set forth in our Strategic Plan for FYs 2018-2019, and the actions we have taken to meet these measures.

Measuring Our Performance

Performance Measure

Actions Taken

Efficiencies

Have been gained with the downsizing of our office and the use of shared services with TIGTA.

Completion time of OIG work assignments

Has been appropriate based on the complexity or unique nature of each assignment. Most of our audit, inspection, and evaluation reports are completed within a six-month period or less. All our required reports have been completed on time. We had no investigations during the reporting period but aim to complete them on as timely a basis as possible.

Accepted audit, inspection, and evaluation recommendations

Have been 100 percent accepted by the Agency and converted to agreed-upon actions.

Complaints activity

Has remained consistent with activity in the recent past, reflecting the fact that employees have confidence in the OIG and its ability to investigate wrongdoing while guarding their confidentiality.

Interaction with Congress

Has included "meet and greet" sessions with our oversight committees and a prompt and satisfactory response to a committee's inquiries regarding audit, inspection, and evaluation recommendations and agreed-upon actions.

Communication with the FCA Board and management

Is an ongoing priority of our office. We held quarterly briefings with each FCA Board Member and their executive assistants. We regularly communicate with FCA management through our audit, inspection, evaluation, and investigative work.

Aligning audit planning with FCA's top management and performance challenges

Is important to ensure that our work is risk-based and that it addresses the most significant challenges of the Agency. In this report, we cite the relevant management and performance challenge in discussing each audit, inspection, and evaluation.

Performance Measures

Measuring Our Performance

Performance Measure	Actions Taken
Outreach efforts	Have included two quarterly issues of the <i>dIG</i> , our office newsletter with articles about what we do, how we do it, and why we do it, as well as examples of fraud, waste and abuse in government. We held a town hall meeting with the Office of Examination (OE) management team where the IG presented her perspective on the role of the OIG and answered questions.
Participation in CIGIE	Is an integral part of our office objectives. Every staff member is active on one or two committees or initiatives of CIGIE, including participating in CIGIE's teaching program and in peer reviews. Interacting with the wider IG community is a necessary and beneficial part of our mission.
Training taken	This reporting period included audit, investigative, IT, and mediation training. Each staff member is cognizant of the required training that they must take to keep up their skills and all such training requirements have been met. Of note, a senior auditor completed the Harvard Senior Executive Fellows course at the Harvard Kennedy School in the Fall of 2017.
Diversity of OIG staff when hiring opportunities arise	Is a goal of our office. However, we have had no hiring opportunities this reporting period, but our shared services agreement with TIGTA provides an opportunity to work with a diverse staff.

Audits, Inspections, and Evaluations

Summary

This reporting period, the OIG continued to provide FCA with high-quality products. We issued three audit reports and two inspection reports, with a total of 14 agreed-upon actions with FCA management. We also have two reviews in progress. The OIG found no significant problems, abuses, or deficiencies relating to the administration of programs and operations.

The OIG conducts all audits in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States for audits of federal organizations, programs, activities, and functions. We conduct inspections and evaluations in accordance with CIGIE's *Quality Standards for Inspection and Evaluation*.

Copies of most OIG reports are available on our [website](#), by contacting the OIG at (703) 883-4030, or by [email](#). We offer a free [subscription service](#) that provides automatic notification by email when a new report or other information is posted to the OIG website. Finally, we post all our public reports and information on [Oversight.gov](#).

Below is a listing of the audit, inspection, and evaluation reports issued during this reporting period. FCA OIG did not identify any questioned costs, unsupported costs, or disallowed costs during this reporting period.

Reports Issued

Table 1: Audit, Inspection, and Evaluation Reports Issued	
Report Title	Number of Agreed-upon Actions/ Recommendations
FY 2017 Audit Report on Evaluation of FCA's Compliance with the Federal Information Security Modernization Act (FISMA)	4
Audit of FCA's Financial Statements Fiscal Year 2017	0
Audit of FCA's Office of Secondary Market Oversight	5
Inspection of Physical Security in FCA's Bloomington Field Office	5
Inspection of FCA's Travel Compensation and Incentives	0
Total	14

Audits, Inspections, and Evaluations

FY 2017 Evaluation of the Farm Credit Administration's Compliance with the Federal Information Security Modernization Act of 2014 (FISMA)

Reports Issued

Audit Justification

FISMA requires IGs or an independent external auditor to perform an annual evaluation of their agency's security program and practices. The OIG contracted with Brown and Company to perform the independent evaluation (which was undertaken as an audit) of FCA's compliance with FISMA for FY 2017.

Audit Objective

The objectives of this audit were to determine the effectiveness of FCA's information security programs and practices and to provide the OIG with the ability to report the results to the OMB and the U.S. Department of Homeland Security.

Management Challenge

The OIG identified **information technology** as one of FCA's top management and performance challenges in FCA's FY 2017 Performance and Accountability Report. This challenge is the ability to leverage investments in IT while maintaining a secure environment. The OIG performs an annual evaluation of FCA's compliance with FISMA to address this management challenge.

Conclusions

Brown and Company concluded that FCA's information security program is generally compliant with the FISMA legislation and applicable OMB guidance, was effective, and provided reasonable assurance of adequate security. The contractor found that FCA continued to make positive strides in addressing information security weaknesses, but identified improvements that could be made in the areas of: identity management, configuration management, and incident response. The Office of Information Technology (OIT) completed corrective action on two of the four agreed-upon actions prior to the end of this reporting period.

Brown and Company's report contained sensitive information about FCA and potential vulnerabilities that could be used against the Agency; therefore, the OIG did not release the full report publicly.

Milestones

The final report, [OIG 2017 Evaluation of the FCA's Compliance with the FISMA](#), was issued on October 27, 2017.

Audits, Inspections, and Evaluations

Audit of FCA's Financial Statements Fiscal Year 2017

Reports Issued

Audit Justification

The Accountability of Tax Dollars Act of 2002 requires FCA to submit to the Congress and OMB audited financial statements each fiscal year. The OIG contracted with Harper, Rains, Knight & Company, P.A. (HRK), an independent public accounting firm to perform the audit, and monitored the audit of FCA's financial statements for FY 2017.

Audit Objective

The objective of the audit was for the auditors to express an opinion on FCA's financial statements.

Management Challenge

The financial statement audit is a required audit and is therefore not designed to address any specific FCA management and performance challenge. However, this audit indirectly addresses the management challenge on **organizational structure and governance**, which entails FCA's need to align its organizational structure, in part, to the goals and priorities of the FCA Board while remaining a strong safety and soundness regulator.

Conclusions

HRK completed the audit and issued an unmodified opinion in November 2017.

In the auditors' opinion, FCA's principal financial statements present fairly, in all material respects, the financial position of the Agency as of the fiscal year ended September 30, 2017, in conformity with generally accepted accounting principles.

HRK considered FCA's internal control over financial reporting to determine the audit procedures for the purpose of expressing an opinion on the financial statements. The auditors did not express an opinion on the effectiveness of FCA's internal controls; however, they did not identify any deficiencies considered to be a material weakness.

The auditors performed tests of FCA's compliance with selected provisions of laws and regulations that could have a direct and material effect on the financial statements. Although they did not express an opinion on compliance with those provisions, they did not identify any instances of noncompliance.

Milestones

The final report, [Audit of FCA's Financial Statements for Fiscal Year 2017](#), was issued on November 16, 2017.

Audits, Inspections, and Evaluations

FCA's Office of Secondary Market Oversight

Reports Issued

Audit Justification

FAMC is a government-sponsored enterprise with the mission of providing a secondary market for agricultural real estate mortgage loans, rural housing mortgage loans, and rural utility cooperative loans. FAMC is regulated, examined, and supervised by FCA through the Office of Secondary Market Oversight (OSMO). The OIG initiated this audit because OSMO had never been reviewed by the OIG since its formation.

Audit Objective

The objective of the audit was to assess the staffing arrangements and reporting process for OSMO. In addressing staffing in OSMO, we also looked at how the Agency is assessing FAMC for the cost of its supervision, regulation, and enforcement.

Management Challenge

This audit addresses the management challenge on **organizational structure and governance**. This challenge entails FCA's need to align its organizational structure to the goals and priorities of the FCA Board and the Executive Branch reform initiative while remaining a strong safety and soundness regulator.

Conclusions

We found staff resources were planned and projected each year, and staff hours are tracked by office and employee. An annual assessment amount is calculated and communicated to FAMC.

In response to our audit, OSMO revised its office directive and required independence documentation from rotational staff. OSMO also created an office directive on the assessment process roles and responsibilities.

The Office of the Chief Financial Officer documented the methodology and process used to calculate the FAMC assessments.

The Office of the Board agreed to document the reporting relationship between the OSMO Director and the FCA Board, including delegations, supervisory relationships, and FCA Board oversight involvement of the OSMO Director. This action remains open.

Milestones

We issued the final report, [FCA's OSMO Oversight](#), on March 20, 2018.

Audits, Inspections, and Evaluations

Inspection of Physical Security in FCA's Bloomington Field Office

Reports Issued

Inspection Justification

Physical security controls safeguard FCA employees and assets. Physical security is unique in different locations and buildings, and the strongest controls cannot eliminate security risks. However, strong controls and preparedness can improve overall security. For this inspection, we reviewed the Bloomington field office. Our review focused on controls related to access, computers and other equipment, emergency preparedness, and personnel records.

Inspection Objective

The objective of the inspection was to determine the effectiveness of controls related to physical security in the Bloomington field office.

Management Challenge

This inspection addresses the management challenge on **human capital**. This challenge entails FCA's need to maintain a well-trained, sustainable workforce in the face of retirement eligibilities, workforce retention, and diversity, and the need to invest in its employees and their development. To address this management challenge, this inspection looked at physical security controls in the workplace for the safety of FCA employees.

Conclusions

We found controls were in place and largely effective. However, we identified opportunities to further improve physical security in the Bloomington field office. In response to our inspection, Agency management completed five actions that will improve physical security. The report contains sensitive information about FCA and potential vulnerabilities. Therefore, we did not release this report publicly.

Milestones

We issued the final report, [Physical Security in FCA's Bloomington Field Office](#), on March 19, 2018.

Audits, Inspections, and Evaluations

Reports Issued

Farm Credit Administration’s Travel Compensation and Incentives

Inspection Justification

FCA pays travel compensation to employees who travel on official business for the Agency in the amount of \$50 per night for every night of eligible travel that exceeds 50 nights in a calendar year. The Agency also provides other travel incentives through its awards program by rewarding employees for contributing to the economy and efficiency of the Agency, such as reducing costs for official business travel through use of personal frequent flyer miles. Our inspection focused on program controls and program administration for FYs 2016-2017.

Inspection Objective

The objective of this inspection was to determine whether the Agency is effectively and efficiently administering the Travel Compensation Program and other travel incentives.

Management Challenge

This inspection addresses the management challenge on **human capital**. Recognizing that employees are FCA’s most valuable assets, this inspection addressed this challenge by looking at the internal controls of the travel program that rewards employees who travel excessively and who save the Agency travel expenses.

Conclusions

We found FCA effectively administered the program, with program controls that adequately limit risk for the Agency, including a documented policy that outlines the process for submitting claims for reimbursement and required supervisory approvals. The report contained no recommendations or agreed-upon actions.

Milestones

We issued the final report, [FCA’s Travel Compensation and Incentives](#), on March 30, 2018.

In Progress

Information Technology Budget Benchmarking Study

Evaluation Justification

IT spending, including the use of IT contractors, has changed at FCA over the past few years. The purpose of this benchmarking study is to determine the IT budget changes over the past three years and compare FCA's IT budget and use of contractors to other federal financial regulators.

Evaluation Objective

The objective of this evaluation is to compare FCA's IT budget and use of contractors to other federal financial regulators.

Management Challenge

The OIG identified **information technology** as one of four top management and performance challenges at FCA. This challenge is the ability to leverage investments in IT while maintaining a secure environment.

While cybersecurity threats are increasing, FCA is increasingly reliant on IT software to identify and analyze potential risks from the sensitive financial data that the Agency receives from the System. Hence, it is imperative that FCA has the necessary IT tools and staff to protect its systems and data from cybersecurity threats and to operate more efficiently and effectively. At the same time, the Agency must be prudent and responsible with its spending.

Milestones

Fieldwork is in progress and we anticipate issuing our report within the near future.

In Progress

Inspection of Physical Security in FCA's Dallas Field Office

Inspection Justification	Physical security poses a continuous challenge for federal agencies. The OIG initiated physical security inspections of FCA field offices during 2017. To date, we have completed inspections of the Denver and Bloomington field offices.
Inspection Objective	The objective of the inspection is to determine the effectiveness of controls related to physical security in the Dallas field office.
Management Challenge	This inspection addresses the management challenge on human capital . This challenge entails FCA's need to maintain a well-trained, sustainable workforce in the face of retirement eligibilities, workforce retention, and diversity, and the need to invest in its employees and their development. To address this management challenge, this inspection looked at physical security controls in the workplace for the safety of FCA employees.
Milestones	We issued the final report, Physical Security in FCA's Dallas Field Office , on April 18, 2018, after the reporting period.

Audits, Inspections, and Evaluations

The Agency issued five reports during this reporting period with 14 agreed-upon actions. In addition, at the beginning of the period, 13 carry-over actions were still open. As of March 31, 2018, eight agreed-upon actions remained open. Before and during the commencement of this reporting period, there were no questioned costs, unsupported costs, disallowed costs, or recommendations that funds be put to better use for which no management decision had been made.

Agreed-upon Actions

Table 2: Audit, Inspection, and Evaluation Agreed-Upon Actions

Report Title	Date Issued	Carryover from Prior 6-Month Period	New During this 6-Month Period	Final Management Actions During this 6-Month Period	Open on 3/31/2018
FCA's Position Management and Job Evaluation Program	9/23/2016	1	0	0	1
FCA's Oversight of Young, Beginning, and Small Farmer Programs	9/28/2016	4	0	4	0
FCA's Awards Program	2/23/2017	1	0	1	0
FCA's Contracting Activities	5/22/2017	2	0	2	0
Physical Security in FCA's Denver Field Office	9/29/2017	5	0	1	4
FY 2017 Evaluation of FCA's Compliance with FISMA	10/27/2017	0	4	2	2
FCA's Office of Secondary Market Oversight	3/20/2018	0	5	4	1
Physical Security in FCA's Bloomington Field Office	3/19/2018	0	5	5	0
Total		13	14	19	8

Audits, Inspections, and Evaluations

The following chart shows open agreed-upon actions for reports issued as of March 31, 2018.

Open Agreed-upon Actions

Table 3: Open Audit, Inspection, and Evaluation Agreed-Up Actions			
Report Title	Date Issued	Agreed-upon Action #	Summary of Agreed-upon Action
FCA's Position Management and Job Evaluation Program	9/23/2016	5	Document the promotion process at the Executive Management Team phase of the OE career ladder.
Physical Security in FCA's Denver Field Office	9/29/2017	2 3 4 5	To OE (not released publicly) ² To OE (not released publicly) To OE (not released publicly) To OE (not released publicly)
FY 2017 Evaluation of FCA's Compliance with FISMA	10/27/2017	1 2	To OIT (not released publicly) ³ To OIT (not released publicly)
FCA's Office of Secondary Market Oversight	3/20/2018	5	Document the reporting relationship between the OSMO Director and the FCA Board including delegations, supervisory relationships, and FCA Board oversight involvement of the OSMO Director.

² Protected by 5 U.S.C. 552(b)(7)(F)

³ Protected by 44 U.S.C. 3555(f)

Other Reports

Summary

This reporting period, the OIG issued 15 surveys to FCS institutions and one report on the survey results to the Chief Examiner and FCA Board. The report summarizes survey results and stakeholder opinions on the quality and issues involved in the examination function. Additionally, the OIG issued its annual charge card risk assessment.

Survey of Farm Credit System Institutions

Survey Justification

The OIG administers a quarterly survey of FCS institutions regarding the quality and consistency of the Agency's examination function, including the examiners' performance.

Survey Objective

The objective of the survey is to obtain feedback from FCS institutions about FCA examiners and the examination process without identifying the responding institutions.

Management Challenge

The OIG identified the **Examination and Supervision Program** as one of four top management and performance challenges at FCA. This challenge identifies and addresses risks in the System through effective examination and supervision to ensure the System remains safe and sound.

Conclusions

The consistent trend in numerical ratings and narrative comments indicates that the System has a positive view of the examination program and staff.

Milestones

Each quarter the OE identifies several FCS institutions that were in a position to provide meaningful survey responses for that period. The OIG sends surveys to those institutions for the quarter.

In November 2017, the OIG issued 15 surveys to FCS institutions for feedback on the fourth quarter of FY 2017 (July 1 – September 30, 2017). Fourteen institutions responded. The OIG provided a report on January 19, 2018, to the Chief Examiner and the FCA Board. This report included summary data for FY 2017.

Other Reports

Charge Card Risk Assessment

Justification	The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) requires the OIG of each executive agency to conduct periodic assessments of charge card programs to analyze the risks of illegal, improper, or erroneous purchases.
Objective	As part of adherence to the Charge Card Act and the implementation guidance, the OIG conducts an annual risk assessment of FCA's charge card programs.
Management Challenge	This assessment addresses the management challenge on human capital . This challenge entails FCA's need to maintain a well-trained, sustainable workforce in the face of retirement eligibilities, workforce retention, and diversity, and the need to invest in its employees and their development. To address this management challenge, the OIG assessed the risk of the Agency's charge card program, which allows certain employees the use of government-issued travel and purchase cards for official business.
Conclusions	Based on the risk assessment, we determined that the overall risk of FCA's charge card programs was low. The OIG also issued a letter to OMB in December 2017 on the Agency's progress in implementing audit recommendations related to the charge card program. All recommendations from our previous audits and inspections were agreed upon by management and subsequently closed. Therefore, there were no open recommendations or agreed-upon actions related to the charge card program as of December 2017.
Milestones	The OIG completed its annual risk assessment and issued the Charge Card Risk Assessment to the Agency on March 9, 2018.

Investigations

The OIG Investigator has responsibility for developing and implementing an investigative program that furthers OIG's objectives. The Investigator's primary responsibilities include:

- Investigating possible violations of criminal statutes relating to FCA's programs and activities.
- Investigating allegations of misconduct by FCA employees.
- Interfacing with the Department of Justice on OIG-related criminal matters.
- Coordinating investigations and OIG initiatives with other federal, state, and local investigative agencies and other OIGs through the Assistant IGs for Investigations Committee.

Investigations cover a broad range of allegations concerning criminal wrongdoing or administrative misconduct affecting various FCA programs and operations. Investigations may be initiated because of allegations or referrals from:

- FCA employees
- Congress
- OIG audits
- OIG Hotline
- Private citizens
- OIG's proactive efforts directed at areas bearing a high potential for fraud, waste, and abuse

Summary

This reporting period we processed 13 complaints, including seven borrower rights-type complaints, which we referred to the OCPA. No formal investigations were opened.

The Agency cooperated in all preliminary investigations, providing records in response to investigation inquiries in a timely manner. The OIG had no reported allegations of whistleblower retaliation. The OIG had no investigations involving senior government employees in which allegations of misconduct were substantiated. No investigative matters were referred to prosecutorial authorities that resulted in prosecutions or convictions.

The OIG conducts all investigations in accordance with CIGIE's *Quality Standards for Investigations*. Closing memoranda for OIG investigations are available on our [website](https://www.fca.gov/home/inspector.html).

Investigations

Investigations

Priorities

The FCA OIG is committed to conducting fair, thorough, and timely investigations. Our work products will be clear, focused, and factual reports of investigation. It is also our goal to guard the confidentiality of all with whom we interact in the investigative process to the extent possible permitted by the law.

In November 2018, FCA OIG executed an IAA for shared services with TIGTA for support services in the investigative function. The IAA period runs from January 1, 2018 to September 30, 2018, at which time it can be renewed. We met with TIGTA's Deputy Assistant IG for Investigations in March to discuss the shared service arrangement.

Outreach

We updated the FCA OIG Whistleblower page to more clearly explain the whistleblower protections, including whistleblower protection rights of federal contractors, and to include links to the latest whistleblower legislation. Our office also reviewed FCA's guidance on whistleblower protections to ensure that the information was comprehensive and correct.

Complaint Activity

We received 13 complaints this reporting period as follows:

- Seven complaints were from System borrowers and were referred to OCPA.
- Three complaints involved matters outside the jurisdiction of the FCA OIG and were either closed or referred to appropriate FCA offices or other federal agencies.
- One complaint alleged FCA did not follow standard process by announcing a vacancy without stating the job series or allowing for veterans' preference. We opened a preliminary investigation and found the complaint to be unsubstantiated. The job series was included in the USAJOBS announcement and veterans' preference did not apply to that position vacancy. Therefore, we closed the preliminary investigation.
- Two complaints involving similar matters are open.

Investigations

Investigative Activity

The table below is a summary of investigative activity during the reporting period.

Table 4: Investigative Activity	
A. Total number of investigative reports issued during the reporting period	0
B. Total number of persons referred to the Department of Justice for criminal prosecution during the reporting period	0
C. Total number of persons referred to State and local prosecuting authorities for criminal prosecution during the reporting period	0
D. Total number of indictments and criminal informations during the reporting period that resulted from any prior referral to prosecuting authorities	0

Legislative and Regulatory Reviews

Summary

As required by section 4(a)(2) of the IG Act, the OIG routinely reviews existing and proposed legislation and regulations relating to programs and operations of FCA. The OIG makes recommendations concerning the impact of such law on the economy and efficiency in the administration of programs and operations or the prevention and detection of fraud and abuse.

This past reporting period, OIG continued to review and provide comment and analysis on existing and proposed cross-cutting legislation and regulations through our participation in various CIGIE committees, including the Legislation Committee.

The OIG reviewed the following significant legislation, rules, regulations, bookletters, and other Board approved actions.

Legislation

Whistleblower Legislation

This reporting period, the two following new laws were enacted to enhance the protection of whistleblowers:

- Whistleblower Protection Act of 2017 (WPA), Pub. L. No. 115-73 (Oct. 26, 2017) (5 U.S.C. 2302(b))
- OSC Reauthorization Act of 2017 (OSCRA), Pub. L. No. 115-91 (Dec. 12, 2017) (5 U.S.C. 2302(c))

A summary of the laws follows and, as required, the OIG will work with the Agency to ensure that all FCA employees and contractors receive the required training.

New Prohibited Personnel Practice

The WPA added a 14th prohibited personnel practice (PPP), which makes it a PPP to “access the medical record of another employee or an applicant for employment as a part of, or otherwise in furtherance of, any conduct described in paragraphs (1) through (13) of 5 U.S.C. 2302(b).”

Public and Online Portal Posting about Whistleblower Protections

Under the OSCRA, FCA must post information about whistleblowing protections on our public website ([FCA.gov](https://www.fca.gov)) and any online portal accessible only to FCA employees.

Legislative and Regulatory Reviews

Legislation

Education Requirements

New Employees: Within 180 days after the date of appointment of a new employee to FCA, the FCA Chairman, in consultation with OSC and the IG, must ensure that the new employee is informed of the rights and remedies available under:

- PPPs (5 U.S.C. 2302(b))
- Merit Systems Protection Board
- OSC
- An employee's right to seek corrective action under 5 U.S.C. Chapter 12

Supervisors: Under the WPA, the FCA Chairman, in consultation with OSC and the IG, must provide annual training to supervisors regarding how to respond to complaints alleging a violation of whistleblower protections. FCA must also provide such training to new supervisors.

Supervisors' Performance Appraisals

The OSCRA requires that the FCA Chairman, in consultation with the Office of Personnel Management and OSC, develop criteria to promote the protection of whistleblowers as a critical element for establishing the job duties of all supervisory employees. The criteria must include:

- Principles for the protection of whistleblowers, such as the degree to which supervisory employees respond constructively when employees make protected disclosures.
- How supervisors take responsible actions to resolve these disclosures.
- Ways in which the supervisors foster an environment in which employees feel comfortable making such disclosures.

FCA must submit an annual report to Congress detailing the number of annual performance appraisals which determined that an agency supervisor failed to meet the standards for protecting whistleblowers. The report must include the reasons for the failing determination and each performance-based or corrective action taken by FCA in response.

Required Discipline

Both the WPA and the OSCRA require discipline for supervisors who commit a prohibited personnel action defined in:

- 5 U.S.C. 2302(b)(8) (retaliating against a whistleblower)
- 5 U.S.C. 2302(b)(9) (other retaliation)
- 5 U.S.C. 2302(b)(14) (accessing medical records in furtherance of a PPP)

Disciplinary action must be approved by the OSC.

If the FCA Chairman or the IG determines that a supervisor violated one of the foregoing PPPs:

- For the first offense, the Agency must propose to suspend a supervisor not less than 3 days. The FCA Chairman may propose additional action, including a reduction in grade of pay.
- For the second offense, the FCA Chairman must propose removing the supervisor.

Legislative and Regulatory Reviews

FCA Board Approved Actions

- Direct Final Rule on Technical Amendments to FCA Regulation Section 606.2(b): Assessment and Apportionment of Administrative Expenses (October 12, 2017)
- Office of Examination's FY 2018 Oversight and Examination Plan (October 16, 2017)
- FCS Building Association Budget and Assessments (November 16, 2017)
- FCA 2018 Compensation Plan (December 19, 2017)
- Inflation Adjustment to FCA Civil Money Penalties Regulation (January 4, 2018)
- Joint Notice of Proposed Rulemaking – Margin and Capital Requirements for Covered Swap Entities – Amendment to the Definition of "Eligible Master Netting Agreement" (January 25, 2018)
- Spring 2018 Abstract of the Unified Agenda and Regulatory Project Plan (February 20, 2018)
- Bookletter 069 on Lending and Loan Servicing Controls to promote efficiency, reduce risk of asset loss, ensure reliable financial statements, and ensure compliance with laws and regulations (March 8, 2018)

Reporting and Outreach

Congress

In October, the IG and a Senior Auditor had meet and greet sessions with Congressional staffers from the Senate Committee on Agriculture, Nutrition and Forestry and the House Committee on Agriculture. The OIG discussed the audit plan, budget, and strategic goals of the office with the staff.

IG Community

OIG staff members are encouraged to take part in organizations that contribute to the mission of the IG community and their individual professional development.

The IG is a member of CIGIE and serves on the CIGIE Legislation Committee and the Small and Unique Agency IGs working group. The IG also participated in writing a CIGIE cross-cutting report on the top management and performance challenges facing multiple federal agencies.

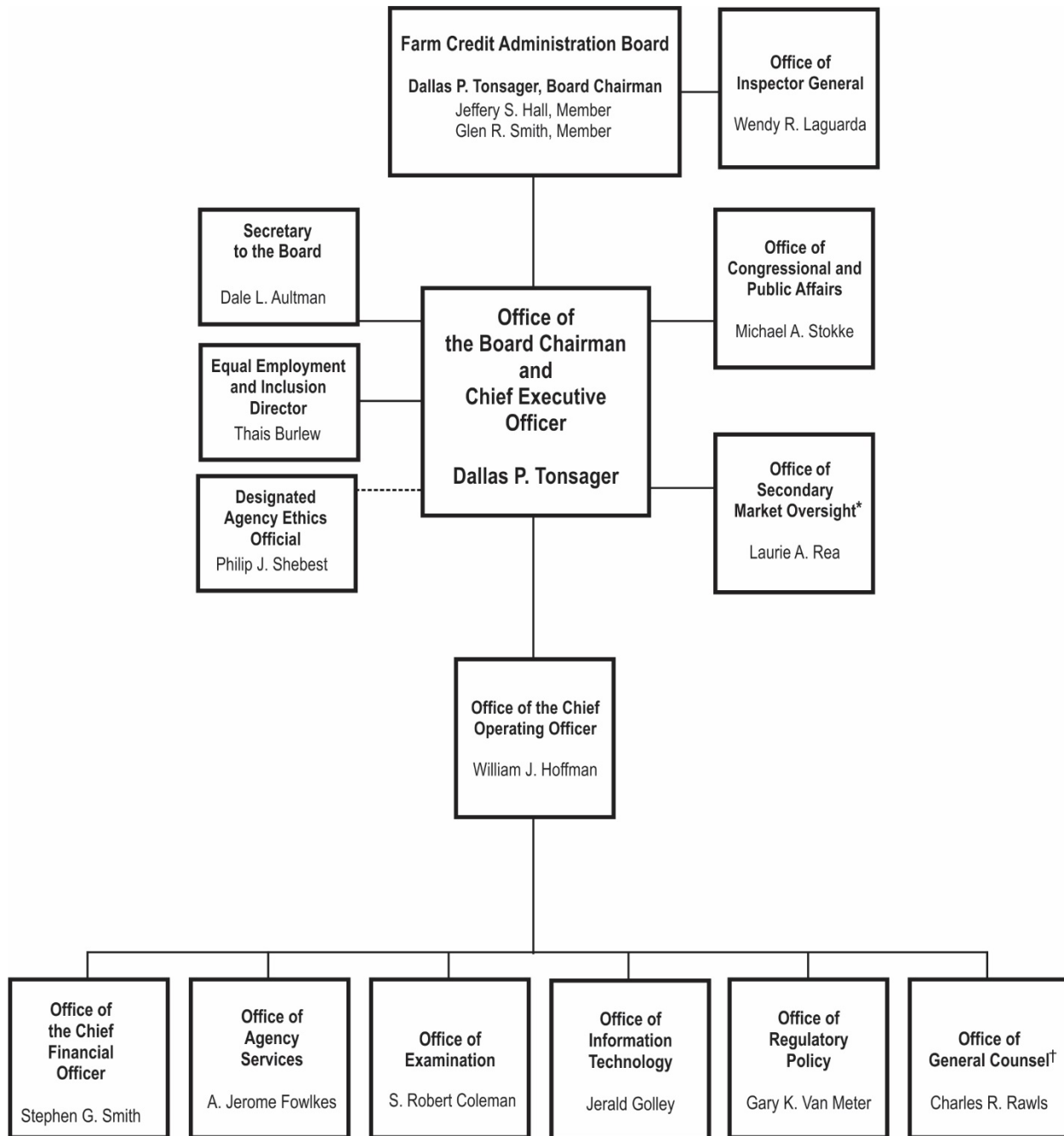
The Senior Auditors and Investigator also participate in CIGIE workgroups. One Auditor attends local Information Systems Audit and Control Association (ISACA) meetings and participates on CIGIE's Audit Committee and the IT Subcommittee of the Federal Audit Executive Council. Another Senior Auditor is a member of the CIGIE Roundtable on Inspections and Evaluations and is an adjunct instructor for CIGIE's Training Institute. Another Senior Auditor is a member of the IG Act Commemoration Working Group. Our Investigator participates in the Assistant IG for Investigations Committee.

FCA

The OIG started a new outreach initiative by launching an internal, quarterly newsletter, the *dIG*, to FCA employees explaining the role of the OIG and how the OIG performs its work, including examples of fraud, waste, and abuse in government, and other topics. We issued two quarterly newsletters this reporting period. The IG also reports quarterly to the FCA Board and as needed.

Appendix A: FCA Organizational Chart

FCA ORGANIZATIONAL CHART



*Reports to the Board for policy and to the CEO for administration.

†Maintains a confidential advisory relationship with each of the Board members.

Appendix B: Peer Reviews

Summary

Under various standards, OIGs have external quality assurance reviews of audits, investigations, inspections, evaluations, and other OIG activities. The purpose of these external reviews is to provide an additional level of assurance that the OIG conducts its audits, investigations, inspections, and evaluations in compliance with applicable professional standards.

Audit

Government Auditing Standards require an external peer review every three years. During this reporting period, FCA OIG did not have an external peer review of its audit function. The [last peer review of our audit operations](#) was completed by the Federal Labor Relations Authority (FLRA) OIG in August 2016 for the year ended on March 31, 2016. The FLRA OIG concluded that our system of quality control for the audit organization was suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. We received the highest rating of *pass*, and FLRA OIG did not make any recommendations for improvement.

The next audit peer review of our office is scheduled for the period ending March 31, 2019.

Inspections & Evaluations

Recently, CIGIE membership adopted a new peer review requirement for OIGs that perform inspections and evaluations in accordance with CIGIE's *Quality Standards of Inspection and Evaluation*. One senior auditor assisted CIGIE in implementing this new requirement. The senior auditor is a member of the peer review implementation team.

Our first inspection and evaluation peer review is scheduled for the period ending June 30, 2019.

Appendix B: Peer Reviews

Investigations

CIGIE's *Qualitative Assessment Review Guidelines for Investigative Operations of Federal Offices of Inspector General* established an independent external evaluation process for investigative operations. The objective of the investigation peer review is to determine whether internal controls systems are in place and operating effectively to provide reasonable assurance that an OIG's investigative operations comply with CIGIE's *Quality Standards for Investigations*.

The [last peer review of our investigation function](#) was performed by the Securities and Exchange Commission OIG for the year ended September 30, 2007. SEC OIG concluded that our system of internal safeguards and management procedures for the investigative function were in full compliance with quality standards and provided reasonable assurance of conforming with professional standards. Although there were no formal recommendations, SEC OIG made suggestions for improvements in our investigation practices and procedures.

FCA OIG is reinitiating the investigative peer review process of our investigation program. We have volunteered to participate in a peer review of our investigation function within the next few years.

Peer Reviews of Other OIGs

FCA OIG did not perform any peer reviews of other OIGs during this reporting period. There were also no outstanding recommendations made from any previous peer reviews conducted by our office.

Appendix C: Management Decisions

Management Decisions

Status of Recommendations with No Management Decisions

All recommendations were agreed upon by management. Therefore, no management decisions have been made on audit, inspection, and evaluation reports issued before the beginning of this reporting period.

Revised Management Decisions

No management decisions were revised during the period.

Agreement with Significant Management Decisions

There were no significant management decisions for the OIG to agree with regarding audit, inspection, and evaluation recommendations since all recommendations were agreed to by management.

Reports for Which No Agency Comment Was Returned Within 60 Days

There were no audit, inspection, or evaluation reports issued before the beginning of this reporting period for which no agency comment was returned within 60 days of providing the report to the Agency.

Instances Where the Agency Unreasonably Refused or Failed to Provide Information to the OIG or Attempted to Interfere with OIG Independence

During this reporting period, there were no instances where the Agency unreasonably refused or failed to provide information to the OIG or attempted to interfere with the independence of the OIG.

Appendix D: Index of Reporting Requirements

SECTION	REQUIREMENT	PAGE
4(a)(2)	Review of legislation and regulations	26-29
5(a)(1)	Significant problems, abuses, and deficiencies	11
5(a)(2)	Recommendations for corrective action	11-16
5(a)(3)	Prior recommendations not yet implemented	19-20
5(a)(4)	Matters referred to prosecutive authorities	23
5(a)(5)	Information unreasonably refused or not provided	34
5(a)(6)	List of reports issued	11
5(a)(7)	Summaries of significant reports	11-22
5(a)(8)	Management decisions with questioned costs	19
5(a)(9)	Management decisions on recommendations that funds be put to better use	19
5(a)(10)(A)	Audit reports for which no management decision made	34
5(a)(10)(B)	Audit reports with comments not received within 60 days	34
5(a)(10)(C)	Audit reports with unimplemented recommendations	19-20
5(a)(11)	Significant revised management decisions	34
5(a)(12)	Significant management decisions with which the IG disagreed	34
5(a)(13)	Compliance of Agency financial management system	13
5(a)(14)(15)	Peer reviews conducted of this OIG	32
5(a)(16)	Peer reviews conducted by this OIG	33
5(a)(17)(18)	Statistical tables for investigations and referrals	25
5(a)(19)	Investigations of a senior government employee with substantiated misconduct	23
5(a)(20)	Instances of whistleblower retaliation	23
5(a)(21)	Instances of attempts to interfere with IG independence	34
5(a)(22)(A)	Closed audits not disclosed to the public	12, 15
5(a)(22)(B)	Closed investigations involving a senior government employee	23
845	Significant contract audits required to be reported under National Defense Authorization Act for FY 2008 (Pub. L. 110-181)	N/A ⁴

⁴ FCA OIG does not conduct contract audits. Therefore, we did not include this annex.

FARM CREDIT ADMINISTRATION
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