

# HARVESTING CHANGE



**Farm Credit Administration**

**Office of Inspector General**

**Audit, Inspection, and Evaluation Plan**

**Fiscal Years 2018-2019**

# AUDIT, INSPECTION AND EVALUATION PLAN

This audit plan identifies potential audit, inspection, and evaluation areas. This plan is based on a risk-based approach. We have asked the Farm Credit Administration (FCA or Agency) Board and senior management to comment and offer suggestions for additional audit, inspection, and evaluation areas. We welcome the input of the Agency.

The Office of Inspector General (OIG) audits, inspections, and evaluations are designed to assure the FCA Board that Agency programs are operating effectively and with appropriate controls. The list below sets forth the likely audit, inspection, and evaluation activities over the next two fiscal years. However, these activities may vary in response to changing needs or circumstances.

## REQUIRED ANNUAL AUDITS AND EVALUATIONS

### **FCA's Financial Statement (audit)**

The Accountability of Tax Dollars Act of 2002 requires federal agencies not covered by the Chief Financial Officer's Act to obtain annual audits in accordance with generally accepted government auditing standards. The OIG contracts with an independent accounting firm to audit FCA's financial statement, internal control over financial reporting, and compliance with laws and regulations relating to the determination of financial statement amounts. The OIG will deliver an audit opinion as of September 30, 2018 and 2019, respectively. The OIG will ensure that the selected independent accounting firm incorporates into its audit plan a work schedule that will provide an appropriate audit scope and deliverables within appropriate timeframes.

### **Federal Information Security Modernization Act of 2014 (FISMA) (evaluation)**

FISMA requires Inspectors General to conduct an annual evaluation of their respective agency's information security program and report the results to the Office of Management and Budget (OMB). For Fiscal Years 2018 and 2019, the OIG Senior IT Auditor will lead the FISMA evaluation at FCA.

## FISCAL YEARS 2018-2019

### Ongoing Reviews

#### **Office of Secondary Market Oversight (ongoing audit)**

The Federal Agricultural Mortgage Corporation (Farmer Mac) 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. Farmer Mac is regulated, examined, and supervised by FCA through the Office of Secondary Market Oversight (OSMO). The Farm Credit Act, as amended, includes OSMO requirements for staffing and a direct reporting relationship with the FCA Board. The objective of this audit is to assess the staffing arrangements and reporting process for OSMO.

#### **Travel Compensation and Incentives (ongoing inspection)**

FCA compensates employees who travel on official business. Compensation may be based on nights of eligible travel that exceed 50 nights in a calendar year, or travel cost savings. The process for administering these programs is described in Agency policy. The objective of this inspection is to determine whether the Agency is effectively and efficiently administering the travel compensation program and other travel incentives.

## Audits

### **Examination Oversight of Internal Controls**

One of FCA's strategic goals is to evaluate risk and provide timely and proactive oversight to ensure the safety and soundness of the Farm Credit System (FCS or System). FCA uses a risk-based approach to examine System institutions. The objective of this audit is to evaluate the Agency's examination process as it relates to the oversight of internal controls at System institutions.

### **The FCA Board's Role in the Regulation Development Process**

FCA has adopted strategies and operating procedures for developing regulations. These standards are designed to ensure rules and policies achieve necessary objectives while aligning with FCA's overarching mission and direction. The FCA Board, as the policy-making body of the Agency, needs early, continuous input in the regulation development process. The objective of this audit is to determine the FCA Board's role in the regulation development process.

### **FCA's Internal Control Process**

Federal managers should effectively manage risks that the Agency faces toward achieving strategic objectives and arising from its activities and operations. The OMB issued a revision of OMB Circular A-123 to modernize existing efforts by requiring the implementation of an Enterprise Risk Management (ERM) capability. The objective of this audit is to determine if the Agency has an adequate internal control program and evaluate the Agency's progress toward an ERM capability.

### **Criminal Referral Process and Follow-Up**

By Federal regulation (12 C.F.R. § 612.2301), FCS institutions are required to provide notification and information to the FCA and appropriate law enforcement authorities or to the U.S. Department of Justice when a criminal violation is suspected involving an institution's assets, operations, or affairs. The objective of this review is to evaluate the effectiveness of this process.

## Inspections

### **Separating Employee Process**

When FCA employees and contractors separate from the Agency (resignation, retirement, etc.), the Agency uses an Employee Checkout Record to process the employee's separation. The separating employee must return Agency equipment, keys, ID card, etc. and obtain signatures from various personnel and offices prior to separation, certifying the employee has received any mandatory notices and signed all required forms. The objective of the inspection is to determine whether FCA is effectively following separation procedures.

### **Physical Security at FCA Field Offices**

Physical security poses a continuous challenge for Federal agencies, including access to facilities and security measures taken to protect employees and Agency property. FCA has its headquarters and a field office in McLean, VA with additional field offices in Bloomington, Minnesota; Dallas, Texas; Denver, Colorado; and Sacramento, California. We will conduct four physical security inspections at FCA Headquarters and the FCA field offices. The objective of each inspection is to determine the effectiveness of controls related to physical security.

## Evaluations

### **Information Technology Contracting Benchmarking Study**

FCA OIG will conduct a benchmarking study of the budget and use of contractors in other Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) Agencies' information technology (IT) offices. The study also will include agencies of a similar size to FCA.

### **Organizational Structure of Examiners Benchmarking Study**

FCA OIG will conduct a benchmarking study of the organization of examination offices at the other FIRREA agencies. The study will compare how examiners are organized and geographically located and the reasons behind differing structures.

### **Peer Reviews**

#### **Peer Review of FCA OIG Inspection Operations**

A peer review will be conducted of FCA OIG's system of quality control for its inspection operations. This will be the first time the FCA OIG's inspection operations are peer reviewed since CIGIE established new requirements for peer reviews in this area.

#### **FCA OIG Review of Peer OIG Inspection Operations**

The OIG staff will review a peer OIG's system of quality control for inspection operations.

#### **Peer Review of FCA OIG Audit Operations**

Government Auditing Standards require audit organizations that perform audits or attestation engagements to undergo an external peer review every three years. The National Endowment for the Humanities is scheduled to conduct FCA OIG's external peer review. The review will cover our system of quality control for the audit organization.

#### **FCA OIG Peer Review of the National Credit Union Administration OIG Audit Operations**

The OIG staff is scheduled to conduct the National Credit Union Administration's external audit peer review.

# WANT TO LEARN MORE ABOUT...

## **Our strategic plans for future work?**

The [OIG's Strategic Plan](#) outlines our mission, vision, goals, actions, and performance measures for the office.

## **Our budget?**

The [OIG's Budget Allocations by Products and Services](#) presents our resource requirements and planned activities for fiscal years 2018 and 2019.

## **What we are semiannually reporting to Congress?**

The [OIG's Semiannual Report to Congress](#) communicates the impact of our audit, inspection, evaluation, investigation, and outreach efforts during the previous 6-month period.

## **How to report fraud, waste, or abuse?**

The [OIG Hotline](#) accepts tips and complaints from all sources about fraud, waste or abuse in FCA programs and operations.

**FARM CREDIT ADMINISTRATION**

**OFFICE OF INSPECTOR GENERAL**



**Report Fraud, Waste, Abuse, Mismanagement**

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