

# Semiannual Report to the Congress

October 1, 2015 through March 31, 2016



FARM CREDIT ADMINISTRATION  
OFFICE OF INSPECTOR  
GENERAL



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# Message from the Inspector General

I am pleased to submit this Semiannual Report to the Congress. This report summarizes the activities and accomplishments of the Farm Credit Administration's (FCA or Agency) Office of Inspector General (OIG) for the period October 1, 2015 through March 31, 2016. The OIG's efforts were directed toward implementing the OIG's Fiscal Year (FY) 2016 strategic and operating performance plan and budget. The OIG does so by performing audits, inspections, and evaluations of FCA programs and operations; conducting investigations; reviewing existing and proposed legislation and regulations relating to Agency programs and the IG community; and providing objective, independent reporting and consultation with the FCA Board.

The OIG issued five audit, inspection, and evaluation reports during this reporting period. Additionally, the OIG issued 30 surveys to Farm Credit System (FCS) institutions, designed to obtain feedback on the quality of the FCA examination program. Two survey reports summarizing the results were delivered to the Chief Examiner and FCA Board. We contracted with Harper, Rains, Knight & Company, P.A. to perform the audit of FCA's financial statements for FY 2015, which was issued in November 2015. We completed the OIG's annual evaluation of the Agency's compliance with the Federal Information Security Modernization Act (FISMA) and issued the report in November 2015. We also completed program reviews of: Human Capital Planning at FCA; FCA's Risk Project, and FCA's Process in Developing and Updating Policies and Procedures.

I would like to acknowledge the effective efforts of the talented OIG staff in diplomatically leading Agency management to focus on significant program issues. In conjunction, FCA management continues to be forthright in reacting to OIG findings and making improvements. I welcome the new Chief Information Officer and look forward to continuing our positive relationship with all FCA managers and collaboration with the FCA Board, as we continue to strengthen FCA operations to meet the needs of American agriculture, keeping the nation's economy strong and helping meet global food needs.

*Elizabeth M. Allen*



## 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 (Farm Credit Act).

As a non-appropriated agency, FCA funds its expenses primarily through assessments to the institutions it regulates. FCA's Fiscal Year 2016 budget is \$66,200,000.

At the end of the prior semiannual reporting period, the Agency had 298 employees. At the end of this reporting period, FCA had 288 employees, about half of which are examiners located in five field offices.



## FARM CREDIT SYSTEM

The FCS is a Government-sponsored enterprise comprised of 3 Farm Credit Banks, 1 Agricultural Credit Bank, and 74 associations serving all 50 states and Puerto Rico that primarily make loans to agriculture. 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 (Farmer Mac), also a part of the FCS, is chartered by the Federal government to provide a secondary market for agricultural mortgage loans. Farmer Mac 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.

## OFFICE OF INSPECTOR GENERAL

The mission of the Office of Inspector General (OIG) is to be an agent of positive change, striving for continual improvement in FCA's management and program operations. The Inspector General Act of 1978, as amended, established the FCA OIG in 1989.

The Inspector General 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. The OIG's FY 2016 budget is \$1,493,393.

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

The OIG has four major components: audits, inspections, and evaluations of programs and operations; investigations; legislative and regulatory reviews; and outreach.



# Strategic Goals

To accomplish our mission, the OIG has eight strategic goals in place that are aligned to FCA's mission, programs, and activities (see the [OIG's Strategic and Operating Performance Plan](#) for additional information). The following list summarizes our eight strategic goals and related outcomes during this reporting period.

## Strategic Goal 1:

### **Deliver quality audit, inspection, and evaluation products and services that are useful to the FCA Board, management, and the Congress.**

In pursuit of this goal, the OIG continues to provide quality reports to FCA management for improvement to programs. The OIG initiates a risk-based approach in planning our workload. During this reporting period, we issued two audit reports relating to FCA's human capital planning and FCA's risk project and an inspection report on FCA's process in developing and updating policies and procedures. We also issued an audit report on the FY 2015 financial statements and an evaluation report on the required annual FISMA review. The issued reports were timely and constructive to improve Agency effectiveness and efficiency. As a result of our work, 19 recommendations were made to FCA management. Of these recommendations, all 19 were agreed-upon. We also have ongoing audits on the controls over the Electronic Official Personnel Folder, business continuity procedures at FCS institutions, and the financial statements for FY 2016.

## Strategic Goal 2:

### **Provide technical advice and assistance to Agency officials in developing sound management information and financial reporting systems and in streamlining programs and operations.**

The OIG provides technical advice to management in a variety of methods. For this reporting period, we closed out an issue developed in a Management Advisory to the FCA Board during the last semiannual period. On September 16, 2015, we issued a management advisory relating to eligibility to participate in the Agency's newly-created 401(k) plan. The Agency responded in a timely manner, and resolved the eligibility issue in its 2016 Compensation and Benefits Program (issued in December 2015). We also issued a series of five articles on fraud awareness for publication in the Agency's newsletter.



# Strategic Goals

## Strategic Goal 3:

### **Continuous improvement of the OIG staff, products, and internal office administration. Quality is highly valued.**

The OIG continuously strives to improve internal staff and processes. All OIG staff maintain requirements for their related professional standards: audit, legal, and the Council of Inspectors General on Integrity and Efficiency (CIGIE) standards. We participate in a peer review every three years, and we received a pass rating during our last peer review in June 2013. Our next peer review is scheduled for the third quarter FY 2016. The OIG also conducts an annual quality assurance review on the audit function and assesses internal controls on a continuous basis.

## Strategic Goal 4:

### **Effectively investigate and report administrative and criminal violations relating to FCA programs and personnel to Agency officials, the Attorney General (when appropriate), and the Congress.**

The IG Counsel performs the investigative function for the OIG. For this reporting period, we issued one report of investigation and closed four investigations, including three preliminary investigations. As of the end of the reporting period, the OIG had no pending investigations. The four closed investigations addressed issues relating to alleged nepotism, compensation, and performance of inherently government activities. The allegations were not substantiated.

We also received 13 complaints via the OIG Hotline during the October through March timeframe, seven of which were borrower complaints. All 13 complaints were referred, responded to, or closed during the reporting time period.

# Strategic Goals

## Strategic Goal 5:

### **Cause FCA employees and managers to recognize their responsibility and report observed or suspected wrongdoing to the OIG.**

The OIG recognizes the importance of employees and managers reporting, and the OIG reacting to, suspected or observed wrongdoing. During this reporting period, the OIG published a five-part series on fraud awareness that was provided to all FCA employees through the Agency's employee newsletter. This series included information addressing fraud prevention, detection, and protection for whistleblowers.

## Strategic Goal 6:

### **Maintain an effective program for reviewing and commenting on proposed and existing legislation and regulations affecting the Agency and the IG community.**

Reviewing and commenting on proposed and existing legislation and regulations affecting FCA and the IG community is an important area for the OIG. During this reporting period, we reviewed 37 items, including 28 legislative initiatives; two final rules; two proposed rules; and five Informational Memoranda and Bookletters issued by the FCA Office of Examination. These issuances addressed a myriad of issues, including, but not limited to:

- Margin and Capital Requirements for Covered Swap Entities;
- Loan Policies and Operations, and Funding Operations;
- Servicing Loans to Borrowers in Distressed Industries;
- Compliance with Section 4.38 of the Farm Credit Act – Affirmative Action;
- Amendments to the Inspector General Act;
- Email privacy; and
- IG empowerment and access issues.

# Strategic Goals

## Strategic Goal 7:

### **Promote OIG's role within the FCA and the community at large.**

Outreach and communication are essential to the OIG's role. In addition to the above-referenced fraud awareness reporting series, the OIG annually briefs incoming employees on the OIG's history, mission, reporting, and audit and investigative activities during FCA's new employee orientation. The OIG also advised Agency management of changes in law and regulation relating to social media use by Federal employees, highlighting issues for further review by management regarding the need for policy changes.

## Strategic Goal 8:

### **Provide leadership to organizations directly contributing to the IG community, the Agency, and the Federal government.**

OIG staff participate in workgroups, conferences, and training related to the IG community, FCA, and the Federal government. The IG is a member of the Executive, Legislation, and Inspection and Evaluation Committees of CIGIE. The CIGIE Legislation Committee has engaged in several responses to legislative efforts and congressional hearings. The Counsel is Vice-Chair of CIGIE's Council of Counsels, and participates in associated working groups, including the CIGIE Records Administration Group and FOIA. The auditors are involved with CIGIE cross-cutting projects, the Federal Audit Executive Council (FAEC), the Inspection and Evaluation Roundtable, and OIG Community Public Affairs.

# Audits, Inspections, and Evaluations

## REPORTS ISSUED

This reporting period, the OIG continued to provide FCA with high quality products. We issued three audit reports, one evaluation report, and one inspection report with a total of nineteen agreed-upon actions by FCA management. We also have three in-process audits initiated during this six-month period. The OIG also issued 30 surveys to FCS institutions and two reports on the survey results to the Chief Examiner and FCA Board. The reports summarize survey results and stakeholder opinions on the quality and issues involved in mission execution. Lastly, one Management Advisory was closed.



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. Inspections and evaluations are conducted in accordance with the CIGIE Quality Standards for Inspection and Evaluation.

Copies of most OIG reports are available on our website at [www.fca.gov/home/inspector.html](http://www.fca.gov/home/inspector.html), or by contacting the OIG at (703) 883-4030, or by e-mail at [ig\\_information@fca.gov](mailto:ig_information@fca.gov). We offer a free subscription service that provides automatic notification by e-mail when a new report or other information is posted to the OIG website. Go to <http://apps.fca.gov/subscribeOIG/>, provide your email, and click join the list.

# Audits, Inspections, and Evaluations

## Audit of FCA's Financial Statements Fiscal Year 2015

The OIG contracted with Harper, Rains, Knight & Company, P.A., an independent public accounting firm, and oversaw the audit of FCA's financial statements for FY 2015. Harper, Rains, Knight & Company completed the audit and issued an unmodified opinion in November 2015.

In the auditors' opinion, FCA's principal financial statements present fairly, in all material respects, the financial position of the Agency as of the FY ended September 30, 2015, in conformity with generally accepted accounting principles.

Harper, Rains, Knight & Company 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 or other matters required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States or the Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*.

The final report was issued November 9, 2015.

# Audits, Inspections, and Evaluations

## OIG 2015 Evaluation of the Farm Credit Administration's Compliance with the Federal Information Security Modernization Act

The Federal Information Security Modernization Act (FISMA) of 2014 requires an agency's Chief Information Officer and OIG to conduct annual assessments of the agency's information security program. The purpose of FISMA was to provide a comprehensive framework for ensuring the effectiveness of information security controls, minimum controls for agency systems, and improved oversight of agency information security programs.

The OIG completed the 2015 independent evaluation of FCA's compliance with FISMA during this reporting period. The evaluation found that FCA has an information security program that continues to mature, and FCA's experienced information technology (IT) team is proactive in their approach to information security.

OMB required OIGs to evaluate 10 areas during 2015:

1. Continuous Monitoring Management
2. Configuration Management
3. Identify and Access Management
4. Incident Response and Reporting
5. Risk Management
6. Security Training
7. Plan of Action & Milestones
8. Remote Access Management
9. Contingency Planning
10. Contractor Systems

FCA established a program in 10 of the areas that is consistent with National Institute of Standards and Technology's (NIST) and OMB's guidelines.

The final report was issued on November 13, 2015.

# Audits, Inspections, and Evaluations

## Audit of Human Capital Planning at the Farm Credit Administration

In order to accomplish the mission, it is essential for FCA to ensure it has the right people with the right skills. FCA's most valuable asset is its employees. Human capital planning is, therefore, imperative for the Agency. FCA's Human Capital Plan documents the plan for the next five years and aligns with the Agency's Strategic Plan toward the following goals: leadership and knowledge management, results-oriented performance culture, and talent management.

The objective of this audit was to assess the adequacy of the Agency's human capital planning and the effectiveness of its implementation. The audit focused on the following three areas: key person dependency and succession planning; employee turnover and recruiting; and workplace diversity and inclusion.

We found the Agency had an adequate human capital planning process. FCA has a Human Capital Plan for FY 2014-2018 in place and a new plan was being prepared. Regarding succession planning, FCA has a process to identify key person dependencies and plans for future needs of the Agency. There is also a training program for personnel who are responsible for recruiting examiner and intern positions for the Office of Examination, the most prominent career path within FCA. Finally, with respect to diversity and inclusion, FCA has an equal employment opportunity and inclusion (EEOI) program. The EEOI Director reports directly to the FCA Board Chairman, and there are written policies and procedures. All employees are accountable for supporting EEOI, in part, by being evaluated on EEOI in their performance evaluations.

We identified a few opportunities, however, to improve or modify human capital planning and implementation. Several key positions in the Agency were not identified in the human capital planning request. Efforts to address the gap in mid-career experience levels and track progress in doing so could increase effectiveness. Developmental and training programs could be enhanced. The Agency's workforce diversity and inclusion efforts could be improved through outreach efforts, increased coordination, and data collection and analysis efforts.

In response to our audit, OMS agreed to the following actions:

1. Formalize the human capital planning process by:
  - identifying membership (positions) of the Human Capital governance body,
  - scheduling reviews of the Human Capital Plan objectives, and
  - monitoring and tracking progress toward meeting human capital goals.

# Audits, Inspections, and Evaluations

2. Track data on succession planning efforts. Document the strategies to mitigate the risks. Monitor and follow-up to capture and utilize results.
3. Assess organizational leadership and development programs and modify to promote, enhance, and improve initiatives within the Agency.
4. Coordinate and revise the network distribution list for FCA job announcements.
5. Increase coordination between OMS and EEOI on special emphasis programs and outreach.
6. Implement a plan to improve the exit interview process and disperse exit interview data to gather consistent, useful information for comparison and trends.
7. Consider a veterans' representative for Agency veteran efforts.
8. Provide training to all personnel involved in the recruiting and hiring process on potential biases and barriers to employment.
9. Conduct an assessment of FCA hiring practices to identify potential barriers and areas of improvement.
10. Establish a policy that includes the plan for requesting and analyzing applicant flow data for FCA job announcements.
11. Conduct a survey, or use other information-gathering tools, to gather additional targeted information on workplace diversity and inclusion.

The Office of Management Services agreed with the report and provided specific tasks to be completed to strengthen FCA's human capital planning and implementation. These tasks included documenting processes and strategies and increasing coordination. The Agency stated it would also implement new initiatives and policies in response to our report.

The final report was issued February 29, 2016.



# Audits, Inspections, and Evaluations

## The Farm Credit Administration's Risk Project

To ensure the success of IT investments, the Agency must keep pace with the rapid rate of innovation and evaluate new ways to improve business processes. The Risk Project is an ongoing Information Resources Management (IRM) project that was first developed in 2009. The goals of the Risk Project are to evaluate and acquire tools that enable FCA to 1) conduct risk and statistical analysis of the FCS and 2) enable users to create reports and dashboards for FCA's key datasets.

Our objective was to determine whether the Risk Project was planned and is being managed efficiently and effectively. Various stakeholders participated in project decisions and the Risk Project workgroup completed a multi-phase evaluation before selecting a business intelligence tool for the Agency. However, the Risk Project did not have a comprehensive project plan or utilize an incremental investment approach. Other areas for improvements included the documentation and approval of large IT acquisitions and a determination of the appropriate number of software licenses for the Agency's users. These factors contributed to unexpected outcomes, delays, and increased costs.

In response to our audit the Office of Information Technology agreed to take the following actions:

1. Add or modify current procedures for large IT investments to:
  - Designate a project manager and project management responsibilities;
  - Assess resources and determine whether consultants are needed for project planning and implementation; and
  - Establish guidelines for incremental investment.
2. Establish a control to ensure project management guidance is implemented for large IT investments.
3. Create an incremental project plan for the remainder of the Risk Project in coordination with the Risk Project workgroup. Include an assessment of required resources and tasks requiring consultants and evaluate other tools that may be incorporated to accomplish Risk Project goals and objectives.
4. Modify standard operating procedures to define levels of approval for large IT acquisitions and establish a control to ensure appropriate reviews and approvals are obtained.
5. Evaluate Risk Project software licenses before the next renewal period.

The final report was issued March 31, 2016.

# Audits, Inspections, and Evaluations

## Inspection of Farm Credit Administration's Process in Developing and Updating Agency Policies and Procedures

FCA maintains an online library of Agency policies and procedures (PPMs). The PPM library serves as a central repository for PPMs and is a valued resource to FCA employees for information on Agency programs.

The inspection objective was to determine the effectiveness and efficiency of FCA's process in developing and updating Agency policies and procedures.

We found the Agency is generally consistent in the following processes: preparing and formatting new PPMs; routing PPMs for approvals; posting new PPMs or modifications; and communicating PPM information to employees.

We identified opportunities for improvement in the following areas:

- The processes for developing and updating policies and procedures are not formalized in a written document.
- Many PPMs have older publication dates and contain outdated information about Agency policies and programs.
- The process to determine when a new, updated, or rescinded PPM should be communicated to employees is not documented.

The Agency agreed to take the following actions:

1. Publish procedures for developing, updating, formatting, approving and communicating PPMs.
2. Periodically review PPMs to certify whether policies and procedures are current, need updating, or should be rescinded.
3. Consider automating the review and approvals process.

The final report was issued March 31, 2016.

# Audits, Inspections, and Evaluations

## AUDITS AND EVALUATIONS IN PROCESS

### **Audit of FCA's Examination of Business Continuity at FCS Institutions**

FCA's goal is to have a flexible regulatory environment that facilitates electronic commerce and the use of information technology. However, institutions must establish good business practices that ensure safety and soundness. FCA Regulation 609.930 requires policies and procedures that address business continuity planning.

The objective of this audit is to evaluate FCA's process in determining which business continuity procedures were performed and whether there were any gaps during the Agency's examination process of FCS institutions identified by OE as high risk.

### **Audit of FCA's Controls Over the Electronic Official Personnel Folder**

In July 2009, FCA implemented the Electronic Official Personnel Folder (eOPF), which is a re-creation of the paper personnel folder for Federal employees. The eOPF provides web-enabled access to individual personnel folders through an internet-based, self-service tool. The eOPF contains all official records required to document an employee's Federal career. Users are allowed to view their own eOPF documents, but they cannot modify the documents.

The objective of the audit is to review the effectiveness of controls related to the eOPF. The draft report was issued in March 2016, and the final report will be issued in the next reporting period.

### **Audit of FCA's Financial Statements Fiscal Year 2016**

The Accountability of Tax Dollars Act of 2002 requires FCA and certain other agencies to submit to the Congress and OMB an audited financial statement each fiscal year.

In continuing to assist the Agency in meeting these requirements, the OIG contracted with Harper, Rains, Knight & Company, P.A. to perform the audit of FCA's financial statements for FY 2016. The audit remained ongoing at the end of this reporting period. For FY 2015, the OIG also contracted with Harper, Rains, Knight & Company, P.A. to perform the audit.

# Audits, Inspections, and Evaluations

## STATUS OF AGREED-UPON ACTIONS AND RECOMMENDATIONS

In total, there were 19 agreed-upon actions added from three reports issued for the reporting period. We had 14 actions open at the beginning of the period to carry over. As of March 31, 2016, 21 agreed-upon actions remained open.

Audit, Inspection, and Evaluation Agreed-Upon Actions					
Report	Issued	Carryover from Prior 6-Month Period	New During this 6-Month Period	Final Management Actions During this 6-Month Period	Open on 3/31/2016
FCA's Special Supervision and Enforcement Processes	3/31/2015	2	0	2	0
FCA's Commissioning Program	3/31/2015	8	0	5	3
FCA's Personnel Security and Suitability Program	9/30/2015	4	0	4	0
Human Capital Planning at FCA	2/29/2016	0	11	1	10
FCA's Risk Project	3/31/2016	0	5	0	5
FCA's Process in Developing and Updating Agency Policies and Procedures	3/31/2016	0	3	0	3
<i>Total</i>		14	19	12	21

# Audits, Inspections, and Evaluations

## OPEN AGREED-UPON ACTIONS

The following charts show open agreed-upon actions for issued reports as of March 31, 2016:

FCA's Commissioning Program (Issued 3/31/15)	
Agreed-Upon Action Number 1	Identify and track specific commissioning costs to evaluate the cost of the program and identify cost-saving opportunities and consider timekeeping code revisions, with OMS assistance in implementation.
Agreed-Upon Action Number 3	Analyze the costs and benefits of streamlining and consolidating current testing and assessment milestones through the elimination of the final Commissioning Test simulations.
Agreed-Upon Action Number 9	Revise processes to provide feedback to every Associate Examiner on Technical Evaluations and Commissioning Test multiple-choice test performance.

Human Capital Planning at FCA (Issued 2/29/16)	
Agreed-Upon Action Number 1	Formalize the human capital planning process by: <ul style="list-style-type: none"><li>• identifying membership (positions) of the Human Capital governance body,</li><li>• scheduling reviews of the Human Capital Plan objectives, and</li><li>• monitoring and tracking progress toward meeting human capital goals.</li></ul>
Agreed-Upon Action Number 2	Track data on succession planning efforts. Document the strategies to mitigate the risks. Monitor and follow-up to capture and utilize results.
Agreed-Upon Action Number 3	Assess organizational leadership and development programs and modify to promote, enhance, and improve initiatives within the Agency.
Agreed-Upon Action Number 4	Coordinate and revise the network distribution list for FCA job announcements.
Agreed-Upon Action Number 5	Increase coordination between OMS and EEOI on special emphasis programs and outreach.
Agreed-Upon Action Number 6	Implement a plan to improve the exit interview process and disperse exit interview data to gather consistent, useful information for comparison and trends.
Agreed-Upon Action Number 8	Provide training to all personnel involved in the recruiting and hiring process on potential biases and barriers to employment.
Agreed-Upon Action Number 9	Conduct an assessment of FCA hiring practices to identify potential barriers and areas of improvement.
Agreed-Upon Action Number 10	Establish a policy that includes the plan for requesting and analyzing applicant flow data for FCA job announcements.
Agreed-Upon Action Number 11	Conduct a survey, or use other information-gathering tools, to gather additional targeted information on workplace diversity and inclusion.

# Audits, Inspections, and Evaluations

## FCA's Risk Project (Issued 3/31/16)

Agreed-Upon Action Number 1	Add or modify current procedures for large IT investments to: <ul style="list-style-type: none"><li>• Designate a project manager and project management responsibilities;</li><li>• Assess resources and determine whether consultants are needed for project planning and implementation; and</li><li>• Establish guidelines for incremental investment.</li></ul>
Agreed-Upon Action Number 2	Establish a control to ensure project management guidance is implemented for large IT investments.
Agreed-Upon Action Number 3	Create an incremental project plan for the remainder of the Risk Project in coordination with the Risk Project workgroup. Include an assessment of required resources and tasks requiring consultants and evaluate other tools that may be incorporated to accomplish Risk Project goals and objectives.
Agreed-Upon Action Number 4	Modify standard operating procedures to define levels of approval for large IT acquisitions and establish a control to ensure appropriate reviews and approvals are obtained.
Agreed-Upon Action Number 5	Evaluate Risk Project software licenses before the next renewal period.

## FCA's Process in Developing and Updating Agency Policies and Procedures (Issued 3/31/16)

Agreed-Upon Action Number 1	Publish procedures for developing, updating, formatting, approving and communicating PPMs.
Agreed-Upon Action Number 2	Periodically review PPMs to certify whether policies and procedures are current, need updating, or should be rescinded.
Agreed-Upon Action Number 3	Consider automating the review and approvals process.

## QUARTERLY SURVEY OF FARM CREDIT SYSTEM INSTITUTIONS

The OIG administers an ongoing survey of FCS institutions regarding the quality and consistency of the Agency's examination function, including the examiners' performance. Without attribution, the OIG issues a quarterly report and, at the end of each fiscal year, a summary report on the survey results to the Chief Examiner and the FCA Board.

The survey asks respondents to rate eight statements regarding examination activities, communications and FCA regulations and guidance. Additionally, respondents have the opportunity to discuss the aspects of the examination that were the most and least helpful to the FCS institution's board and management team. Each quarter there are a relatively small number of respondents. Over time, however, analyses of response patterns enable sound conclusions as to the quality of the examiners and the examination function. The consistent trend indicates the examination program and staff are well regarded.

- [Fourth Quarter \(July 1 – Sept. 30, 2015\) and Fiscal Year 2015 Summary](#)

In October 2015, the OIG issued 18 surveys to FCS institutions for feedback on the examination program and staff during the fourth quarter of FY 2015. Twelve FCS institutions responded. The OIG issued a report, including a summary of FY 2015 responses, in January 2016 to the Chief Examiner and the FCA Board.

- [First Quarter Fiscal Year 2016 \(Oct. 1 – Dec. 31, 2015\)](#)

In January 2016, the OIG issued 12 surveys to FCS institutions for feedback on the first quarter of FY 2016. Ten institutions responded. The OIG provided a report in March 2016 to the Chief Examiner and the FCA Board.

## MANAGEMENT ADVISORY REPORTS

The OIG Management Advisory Reports are designed to be a quick mechanism to offer the Agency head and management suggestions on ways to strengthen Agency operations.

During this reporting period, the OIG closed out a management advisory issued in the last reporting period, following final management action. On September 16, 2015, the OIG issued a management advisory relating to eligibility to participate in the Agency's newly-created 401(k) plan. The Agency responded in a timely manner, and resolved the eligibility issue in its 2016 Compensation and Benefits Program issued in December 2015.

## **CHARGE CARD RISK ASSESSMENT AND SUBMISSIONS**

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. As part of adherence to the Charge Card Act and the implementation guidance, the Farm Credit Administration (FCA) OIG conducts an annual risk assessment of FCA's charge card programs, including the purchase and travel card programs and the centrally billed account utilized by FCA. The OIG completed its annual risk assessment and issued the Charge Card Risk Assessment to the Agency in March 2016.

The OIG also issued a letter to the Office of Management and Budget in January 2016 on agency progress in implementing audit recommendations. During FY 2015, we conducted the risk assessment, but did not complete any reviews on the charge card programs. We previously audited the travel and purchase card programs in FY 2014:

- Farm Credit Administration's Travel Card Program (A-14-03), issued August 19, 2014.
- Farm Credit Administration's Purchase Card Program (A-14-02), issued September 5, 2014.

All recommendations were agreed upon by management and were subsequently closed. Therefore, there were no open recommendations for FY 2015. We will continue to conduct risk assessments and reviews as part of our audit and inspection functions.

## **PERFORMANCE REPORT FISCAL YEARS 2014 AND 2015**

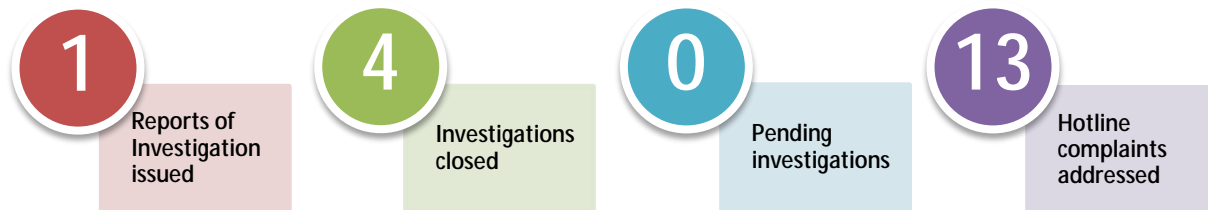
The Government Performance and Results Act (GPRA) of 1993 and GPRA Modernization Act of 2010 encourage organizations to manage for results and hold managers accountable for executing programs to achieve desired outcomes. Our report documents the outcomes or impacts of the products, services, and leadership of the OIG during fiscal years 2014 and 2015.

The final report was issued January 20, 2016.



# Investigations

The OIG completed all pending investigations during this period, investigating matters raised through the OIG Hotline and via other notification mechanisms.



## Investigations

During this reporting period, the OIG issued one Report of Investigation; closed four investigations, including three preliminary investigations. OIG has no pending investigations as of the end of the reporting period. The closed investigations involved allegations relating to various issues, including alleged nepotism, performance of inherently governmental activities, and compensation. None of the investigations resulted in substantiated allegations.

## Hotline

The OIG Hotline is available 24 hours a day, 7 days a week, to receive tips and complaints about fraud, waste, or abuse relating to FCA programs and operations. The Hotline allows individuals to report their allegations to the OIG directly and confidentially and is available through email, phone, fax, and mail.

During the reporting period, the OIG received 13 Hotline complaints. Seven of these complaints involved borrowers and six of them non-borrowers. All 13 complaints were referred, responded to, or administratively closed. Six complaints were closed because they involved matters outside OIG's jurisdiction and/or had already been sent to the appropriate agency. The remaining seven were complaints concerning FCS institutions, and were referred to the FCA offices, including the Office of Examination or the Office of Congressional and Public Affairs, responsible for reviewing these matters.

# Legislative and Regulatory Reviews

In fulfilling the OIG's statutory obligation to review existing and proposed legislation and regulations, the IG reviews and comments on legislative initiatives as a member of the CIGIE Legislative Committee and also through the Council of Counsels to the Inspectors General. The OIG also reviews draft FCA regulations and attends joint briefings of the FCA Board involving proposed and final regulations. During this reporting period, we reviewed:



The following were reviewed:

## Legislation

1. H.R. 2395 and S. 579, Inspector General Empowerment Act
2. S. 2128, Inspector General Mandates Reporting Act of 2015
3. H.R. 3555, Jobs! Jobs! Jobs!
4. H.R. 3528, Congress Leads by Example Act of 2015
5. S. 754, Cybersecurity information Sharing Act of 2015
6. S. 2127, Dr. Chris Kirkpatrick Whistleblowers Protection Act of 2015
7. S.1073, Stopping Improper Payments to Deceased People Act
8. S. 1378, Bonuses for Cost-Cutters Act of 2015
9. S. 2133, Fraud Reduction and Data Analytics Act of 2015
10. H.R. 3743, Secure Every Electronic Record
11. H.R. 4934, Regulatory Agency Demilitarization Act
12. S. 2128, Inspector General Mandates Reporting Act of 2015
13. H.R. 2269, The Government Transformation Act of 2015
14. H.R. 699, Email Privacy Act
15. H.R. 4127, Intelligence Authorization Act for FY 2016
16. S. 2450, Administrative Leave Act of 2015
17. H.R. 2029, Consolidated Appropriations Act of 2016
18. S. 614, Federal Improper Payments Coordination Acts of 2015
19. H.R. 653, FOIA Oversight and Implementation Act
20. H.R. 4360, Official Personnel File Enhancement Act of 2016
21. S. 1115, Grants Oversight and New Efficiency Act ("GONE") Act

# Legislative and Regulatory Reviews

- 22. S. 795, Bill to Enhance Whistleblower Protection for Contractor and Grantee Employees
- 23. S. 1130, Legal Justice for Servicemembers Act of 2015
- 24. H.R. 2029, Consolidated Appropriations Act, 2016, P.L. 114-113
- 25. S. 1616, Saving Federal Dollars Through Better Use of Government Purchase and Travel Cards Act of 2015
- 26. H.R. 4639, Thoroughly Investigating Retaliation Against Whistleblowers Act
- 27. H.R. 4361, Federal Information Systems Safeguards Act of 2016
- 28. S. 337, FOIA Improvement Act of 2015

## Proposed Rules

- 1. *Organization; Funding and Fiscal Affairs, Loan Policies and Operations, and Funding Operations; Farmer Mac Investment Eligibility*, 81 Fed. Reg. 8860-8867 (Feb. 23, 2016)
- 2. *Amendments to 5 CFR Part 2635, Standards of Ethical Conduct for Employees of the Executive Branch*, 80 Fed. Reg. 74004-74018 (Nov. 27, 2015)

## Final Rules

- 1. *Margin and Capital Requirements for Covered Swap Entities*, 12 CFR 1221, Joint Rule (OCC, FRB, FDIC, FCA, FHFA), 80 F.R. 74840 (Nov. 30, 2015)
- 2. *Final Rule: Capital – Tier 1/Tier 2 Framework* (Mar. 10, 2016)

## Informational Memoranda and Bookletters

- 1. *Compliance with Section 4.38 of the Farm Credit Act – Affirmative Action* (Nov. 6, 2015)
- 2. *Limited Suspension of Enforcement Actions Relating to Private Flood Insurance* (Dec. 23, 2015)
- 3. *Amendments to Regulation C and Regulation Z and Annual Threshold Adjustments under Regulation Z and Regulation M* (Jan. 13, 2016)
- 4. *Servicing Loans to Borrowers in Distressed Industries* (Jan. 21, 2016)
- 5. *Maximum Farm Credit System Bank Director Compensation for 2016* (Feb. 5, 2016)

# Congressional Interaction

During this reporting period, the OIG continued to meet with Congressional staff members to discuss ongoing Agency and OIG activities. The OIG also issued a letter report to the:

- Senate Committee on Homeland Security and Governmental Affairs; and
- Senate Committee on the Judiciary.

This letter report responded to the Committees' request for information on any attempts to interfere with IG independence or limitations placed on the OIG's access to documents, information, and Agency employees (none reported). The Committees also requested information on open OIG audit recommendations; nonpublic, closed OIG reports of investigation, audit, or evaluation; OIG reports provided to the Agency for comment but not responded to within 60 days (none reported); and whistleblower retaliation allegations (none reported).

Through its participation in CIGIE activities, including the CIGIE Legislative Committee, the OIG also worked extensively to provide comments and feedback in response to Congressional inquiries submitted to the IG community. OIG also streamlined its internal procedures in responding to Congressional correspondence.

## Staff Participation in Activities within the IG Community

OIG staff members are encouraged to take part in organizations that contribute to the mission of the Inspectors General community, as well as their individual professional development. Most staff members are actively involved in one or more professional organizations, as well as activities within CIGIE.

The Inspector General is a member of CIGIE, which provides a forum for IGs from over 70 government agencies to discuss government-wide issues and shared concerns. Collectively, the members of CIGIE work toward improving government programs and operations, work that involves, for example: comments on proposed legislation; development of projects involving cross-cutting issues; and training development. The IG was appointed to the CIGIE Executive Committee as the Member-At-Large in January 2015. The IG also serves as a member of CIGIE's Legislation Committee and participates as a member of CIGIE's Inspection and Evaluation Committee, and is the Chair of the Small IG group. The IG has a leadership role on committees and workgroups and has initiated group projects to advance and streamline CIGIE practices and processes.

The Deputy IG continues her leadership role in the Council of Counsels of IGs (CCIG) as one of two Vice Chairs to the CCIG for 2015-2016. The Deputy IG is also involved in the CIGIE Records Management Working Group and attends the quarterly meetings for three additional CIGIE groups – the Assistant Inspectors General for Investigations, Deputy IGs, and the Small OIGs CCIG Working Group. The Deputy IG also contributes frequently to requests for assistance throughout the CCIG community.

The OIG Senior IT Auditor and Senior Auditors participate in cross-cutting audit projects and attend FAEC meetings and conferences. The IT Auditor attends local ISACA meetings and is actively involved in the IT Subcommittee of the FAEC. One Senior Auditor is also a member of the CIGIE Roundtable on Inspections and Evaluations, and is an Adjunct Instructor for CIGIE's Training Institute.

OIG employees are also active in Agency workgroups and task forces, as appropriate.

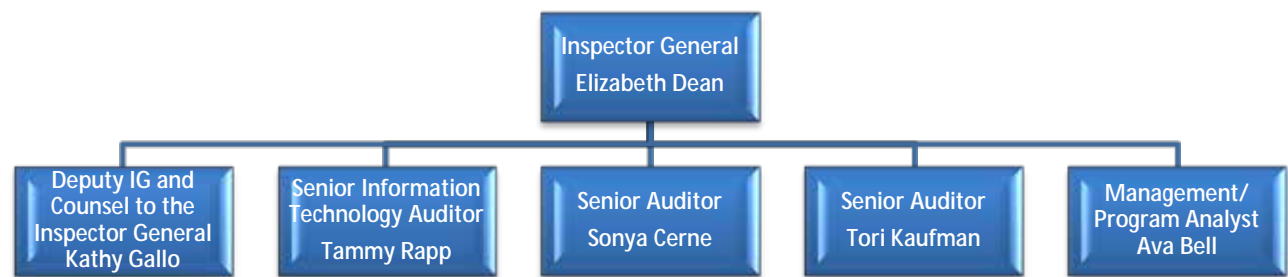
## Organizational Briefings and Notifications

The OIG has distributed posters identifying Hotline and contact information and continues to develop its Fraud Awareness program to provide training and guidance to FCA employees on reporting responsibilities, fraud indicators, methods of reporting, and protections provided to whistleblowers under Federal law and policy. OIG has also published several articles on fraud and whistleblower topics.

Staff Development

OIG employees continually seek ways to improve skills and become knowledgeable in the initiatives of the community of Inspectors General. Audit and legal staff must meet continuing education requirements. Individual 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.

The following organizational chart shows the OIG as of March 31, 2016:



This annex is provided in accordance with the National Defense Authorization Act for FY 2008.

This referenced statute requires all Inspectors General appointed under the IG Act to include an annex to their semiannual reports as follows:

- 1) listing all contract audit reports issued during the reporting period containing significant audit findings;
- 2) briefly describing the significant audit findings in the report; and
- 3) specifying the amounts of costs identified in the report as unsupported, questioned, or disallowed.

Significant audit findings are defined as unsupported, questioned, or disallowed costs in excess of \$10,000,000, or other findings that the Inspector General determines to be significant. It defines contracts as a contract, an order placed under a task or delivery order contract, or a subcontract.

No contract audit reports meeting these criteria were issued on behalf of the OIG during this reporting period.

# Appendix A

## Index of Reporting Requirements

SECTION	TITLE	Page
4(a)(2)	Review of legislation and regulations	22-23
5(a)(1)	Significant problems, abuses, and deficiencies	None
5(a)(2)	Recommendations for corrective action	8-18
5(a)(3)	Prior recommendations not yet implemented	17-18
5(a)(4)	Matters referred to prosecutive authorities	None
5(a)(5)	Information unreasonably refused or not provided	None
5(a)(6)	List of reports issued	29
5(a)(7)	Summaries of significant reports	9-14
5(a)(8)	Management decisions with questioned costs	30
5(a)(9)	Management decisions on recommendations that funds be put to better use	31
5(a)(10)	Prior audit reports unresolved	None
5(a)(11)	Significant revised management decisions	None
5(a)(12)	Significant management decisions with which the Inspector General disagreed	None
5(a)(13)	Compliance of Agency financial management system	9, 15
5(a)(14)(15)	Peer reviews conducted of this OIG	32
5(a)(16)	Peer reviews conducted by this OIG	33
845	National Defense Authorization Act of FY 2008 Citation and Requirement	27



# Appendix B

Audit, Inspection, and Evaluation Reports Issued			
Report	Number of Agreed Upon Actions/Recommendations	Questioned Costs	Recommendations That Funds Be Put to Better Use
FCA's Financial Statement FY 2015	0	\$ 0	\$ 0
FCA's Compliance with FISMA 2015	0	\$ 0	\$ 0
Human Capital Planning at FCA	11	\$ 0	\$ 0
FCA's Risk Project	5	\$ 0	\$ 143,200
FCA's Process in Developing and Updating Agency Policies and Procedures	3	\$ 0	\$ 0
<i>Total</i>	19	\$ 0	\$ 143,200

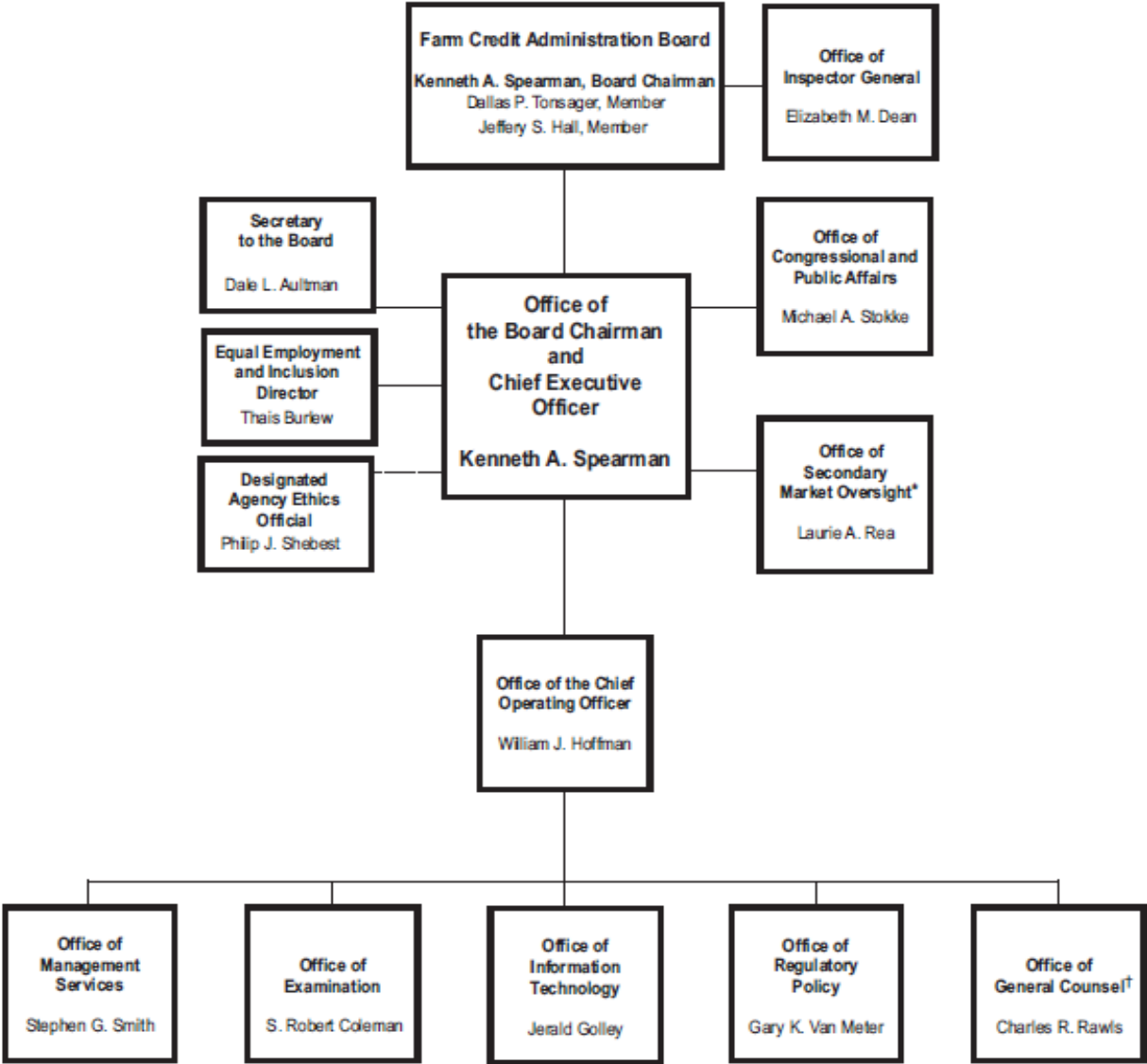
Reports with Questioned Costs				
	Number		Dollar Value	
	Reports	Recommendations	Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period.	0	0	\$ 0	\$ 0
B. Which were issued during the reporting period.	0	0	\$ 0	\$ 0
<i>Subtotals (A+B)</i>	0	0	\$ 0	\$ 0
C. For which a management decision was made during the reporting period.	0	0	\$ 0	\$ 0
(i) dollar value of disallowed costs	0	0	\$ 0	\$ 0
(ii) dollar value of costs not disallowed	0	0	\$ 0	\$ 0
D. For which no management decision has been made by the end of the reporting period.	0	0	\$ 0	\$ 0
E. For which no management decision was made within six months of issuance.	0	0	\$ 0	\$ 0

Reports with Recommendations that Funds Be Put to Better Use			
	Number of Reports	Number of Recommendations	Dollar Value
A. For which no management decision has been made by the commencement of the reporting period.	0	0	\$ 0
B. Which were issued during the reporting period.	1	5	\$ 143,200
<i>Subtotals (A+B)</i>	1	5	\$ 143,200
C. For which a management decision was made during the reporting period.	0	0	\$ 0
(i) dollar value of recommendations that were agreed to by management	0	0	\$ 0
- based on proposed management action	0	0	\$ 0
- based on proposed legislative action	0	0	\$ 0
(ii) dollar value of recommendations that were not agreed to by management	0	0	\$ 0
D. For which no management decision has been made by the end of the reporting period.	0	0	\$ 0
E. For which no management decision was made within six months of issuance.	0	0	\$ 0

Peer Reviews Conducted of this Office			
Peer Review Performed By	Date of Report	Function Reviewed	Peer Review Rating
Architect of the Capitol Office of Inspector General	June 26, 2013	Audit	Pass
U.S. Securities and Exchange Commission Office of Inspector General	December 26, 2007	Investigations	Pass

Peer Reviews Conducted by this Office			
Peer Review Of	Date of Report	Function Reviewed	Peer Review Rating
U.S. International Trade Commission Office of Inspector General	January 16, 2013	Audit	Pass
Consumer Product Safety Commission Office of Inspector General	May 23, 2011	Audit	Pass

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.

## Glossary of Terms

Agency	– Farm Credit Administration
CIGIE	– Council of the Inspectors General on Integrity and Efficiency
EEOI	– Equal Employment Opportunity and Inclusion
eOPF	– Electronic Official Personnel Folder
Farm Credit Act	– Farm Credit Act of 1971, as amended
Farmer Mac	– Federal Agricultural Mortgage Corporation
FCA	– Farm Credit Administration
FCS	– Farm Credit System
FISMA	– Federal Information Security Modernization Act
FY	– Fiscal Year
H.R.	– House of Representatives
IG	– Inspector General
IG Act	– Inspector General Act of 1978, as amended
IRM	– Information Resources Management
IT	– Information Technology
NIST	– National Institute of Standards and Technology
OE	– Office of Examination
OIG	– Office of Inspector General
OIT	– Office of Information Technology
OMB	– Office of Management and Budget
OMS	– Office of Management Services
PPM	– Policies and Procedures
Pub. L.	– Public Law
RSD	– Risk Supervision Division
S.	– Senate
System	– Farm Credit System

# R E P O R T

Fraud | Waste | Abuse | Mismanagement



**FARM CREDIT ADMINISTRATION**

**OFFICE OF INSPECTOR GENERAL**

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