

# FARM CREDIT ADMINISTRATION OFFICE OF INSPECTOR GENERAL



## SEMIANNUAL REPORT TO CONGRESS

APRIL 1, 2022 – SEPTEMBER 30, 2022

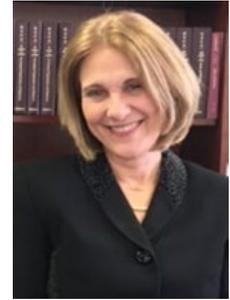
# FCAOIG

Farm Credit Administration  
Office of Inspector General

# A MESSAGE FROM THE INSPECTOR GENERAL

I am pleased to submit our Semiannual Report to Congress, summarizing the activities and accomplishments of the Farm Credit Administration (FCA or Agency) Office of Inspector General (OIG) for April 1, 2022, through September 30, 2022.

Having concluded another six months as FCA's Inspector General, I am delighted to say that our office has had another productive reporting period. We delivered informative and valuable reports on FCA's efforts to establish an enterprise risk management and internal control program as well as the Agency's external communication process, which together included a total of thirteen recommendations to improve the administration of these functions. Our office also oversaw a contracted audit of the Agency's compliance with the Federal Information Security Modernization Act, conducted on an abbreviated timetable mandated by government-wide guidance. Simultaneously, this reporting period saw our office undergo two required peer reviews, on both our audit and inspection and evaluation programs. I am proud that both reviews resulted in our office receiving the highest ratings possible.



Outside of our audit, inspection, and evaluation work, we continued to exercise diligence in providing comprehensive oversight of FCA programs and operations. Among other things, we received and responded to hotline complaints, issued a report on our surveys of Farm Credit System institutions, and observed our obligations to keep the FCA Board and Congress fully and currently informed regarding problems and deficiencies in the administration of Agency programs and operations.

These six months also continued to see our office make an impact government-wide through participation in the various committees and working groups of the Council of the Inspectors General on Integrity and Efficiency (CIGIE). On that score, I am particularly happy to report that Sonya Cerne, our Assistant Inspector General for Audits, Inspections, and Evaluations, was selected to receive the Sentner Award for Dedication and Courage at the 25<sup>th</sup> Annual CIGIE Awards Ceremony. This award—one of the Inspector General community's highest honors—recognizes her uncommon selflessness and dedication to duty in leadership of the CIGIE Inspection and Evaluation Committee.

I would like to thank FCA personnel at all levels for another reporting period during which our work was received with courtesy and professionalism. I also express my appreciation to the Board for its April 2022 message on cooperation with the OIG, which once again highlighted our office's role and encouraged employees to promptly report fraud, waste, and abuse.

Finally, I take this opportunity to welcome Board Chairman Vincent G. Logan to FCA. Filling a long-vacant seat on the Board, Chairman Logan was confirmed by the Senate in late September, sworn in on October 13, and designated Board Chairman on October 21. I very much look forward to working with Chairman Logan, as well as Board Members Jeffery S. Hall and Glen R. Smith, in furtherance of the Agency's vital mission.

A handwritten signature in blue ink that reads "Wendy R. Laguarda". The signature is written in a cursive, flowing style.

Wendy R. Laguarda  
Inspector General

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# ACRONYMS AND ABBREVIATIONS

<b>CIGIE</b>	Council of the Inspectors General on Integrity and Efficiency
<b>ERM</b>	Enterprise Risk Management
<b>Farm Credit Act</b>	Farm Credit Act of 1971, as amended
<b>Farmer Mac</b>	Federal Agricultural Mortgage Corporation
<b>FCA (or Agency)</b>	Farm Credit Administration
<b>FISMA</b>	Federal Information Security Modernization Act of 2014
<b>FY</b>	Fiscal Year
<b>I&amp;E</b>	Inspection and Evaluation
<b>IG</b>	Inspector General
<b>IG Act</b>	Inspector General Act of 1978, as amended
<b>OCPA</b>	Office of Congressional and Public Affairs
<b>OIG</b>	Office of Inspector General
<b>OMB</b>	U.S. Office of Management and Budget
<b>Pub. L.</b>	Public Law
<b>System</b>	Farm Credit System
<b>Williams Adley</b>	Williams Adley & Company-DC, LLP
<b>U.S.</b>	United States
<b>U.S.C.</b>	United States Code

# BACKGROUND

## The Farm Credit System

First established in 1916, the Farm Credit System (System) is a nationwide network of borrower-owned cooperative financial institutions and service organizations. A government-sponsored enterprise, the System is designed to better the income and well-being of farmers, ranchers, and rural America by providing a safe and reliable source of credit and related financial services.

As of July 1, 2022, the System consisted of three farm credit banks, one agricultural credit bank, one federal land credit association and 63 agricultural credit associations that primarily make loans to agriculture in all 50 states and Puerto Rico, as well as six service corporations that provide administrative, technology-related, and other support services to certain System entities and eligible borrowers. The System raises funds by selling securities in the national and international money markets through the Federal Farm Credit Banks Funding Corporation.

The System also includes the Federal Agricultural Mortgage Corporation (Farmer Mac), a stockholder-owned, federally chartered instrumentality. Created in 1988, Farmer Mac provides a secondary market for agricultural real estate mortgage loans, rural housing loans, and rural utility cooperative loans. Farmer Mac is publicly traded and issues its own debt securities.

## The Farm Credit Administration

The Farm Credit Administration (FCA or Agency) is the independent federal agency responsible for ensuring that the System remains a dependable source of credit for agriculture and rural America. Authorized by the Farm Credit Act of 1971, as amended<sup>1</sup> (Farm Credit Act), FCA ensures the safety and soundness of System institutions by issuing policies and regulations and by regularly examining System institutions. FCA has five offices and over 300 employees.



FCA is overseen by a three-person board, members of which are appointed by the President, with the advice and consent of the Senate. The Chair—who is designated by the President and serves in that role until the end of the Chair's term—also serves as the Agency's Chief Executive Officer. During the reporting period, the Board had two members, Board Chairman Glen R. Smith and Board Member Jeffery S. Hall. On April 6, 2022, President Biden announced his intent to nominate Vincent G. Logan to serve on the Board. The Senate unanimously confirmed Mr. Logan on September 29, 2022, and he was sworn in on October 13, 2022. Subsequently, on October 21, 2022, the President designated Mr. Logan as Board Chairman.

## The Office of Inspector General

Established in January 1989, the Office of Inspector General (OIG) is charged with the task of providing independent and objective oversight of FCA programs and operations. It carries out this responsibility as authorized by and in accordance with the Inspector General Act of 1978, as amended<sup>2</sup> (IG Act), by

<sup>1</sup> 12 U.S.C. § 2001 *et seq.*

<sup>2</sup> 5 U.S.C. app.

conducting and supervising audits, inspections, evaluations, and investigations; promoting economy and efficiency; preventing and detecting fraud, waste, and abuse; and keeping the FCA Board and Congress fully and currently informed about problems and deficiencies related to FCA.



Located within FCA, the OIG operates independently—outside the direction of Agency leadership. While the Inspector General (IG) is appointed by and serves under the general supervision of the FCA Board, neither the Board nor any other Agency official may prevent or prohibit the IG from carrying out an oversight activity that the IG determines to be necessary or appropriate. The IG also exercises discretion in OIG employment and contracting decisions, further safeguarding the office’s independent status. This independence is necessary to ensure that OIG products meet the highest standards of objectivity and credibility.

The OIG is led by Wendy R. Laguarda, who has served as the IG since August 2017. Reporting to the IG are the Assistant Inspector General for Audits, Inspections, and Evaluations, the Investigator, and the Counsel to the Inspector General. The Assistant Inspector General supervises the audit staff and oversees the audit, inspection, and evaluation functions.

### **The Council of the Inspectors General on Integrity and Efficiency**

The FCA IG also serves as a member of the Council of the Inspectors General on Integrity and Efficiency (CIGIE). Composed of the federal inspectors general and certain other federal officials, CIGIE was established to address cross-agency issues of integrity, economy, and effectiveness and to improve the professionalism and effectiveness of OIG personnel. OIG staff regularly participate on CIGIE committees and initiatives, as discussed in this report.



# STRATEGIC PLAN

In September 2019, the OIG adopted a five-year [strategic plan for fiscal years \(FYs\) 2020 to 2024](#). Revised in 2021, the plan details the vision, mission, values, goals, and objectives of the OIG in carrying out its responsibilities under the IG Act.

The OIG's vision, mission, values, and goals are outlined below.

## Vision

Harvesting Change

## Mission

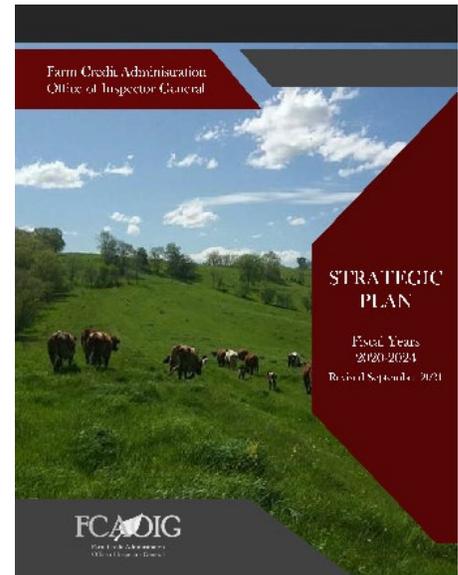
To provide independent oversight to promote economy, efficiency, and effectiveness, and prevent and detect fraud, waste, and abuse in Farm Credit Administration programs and operations

## Values

Objectivity, Integrity, Relevance, and Respect

## Goals

- 1) Promote Economy and Efficiency
- 2) Prevent and Detect Fraud, Waste, and Abuse
- 3) Strengthen Internal and External Relationships



# PERFORMANCE MEASURES

The OIG's [strategic plan for FYs 2020 to 2024](#), revised in September 2021, sets forth several measures against which the OIG assesses its performance. Each of these performance measures is associated with one of the OIG's strategic objectives, which in turn serve the office's strategic goals. The following describes some of the OIG's actions that were relevant to those performance measures during FY 2022, which encompassed this six-month reporting period as well as the immediately preceding period.

## **Strategic Objective 1.1 Execute value-added audits, inspections, and evaluations**

### **Annually develop an oversight agenda based on Agency mission, risk, activities, and management.**

In October 2021, the OIG published an [audit, inspection, and evaluation plan for FYs 2022 and 2023](#).

### **Complete products in an average time of six months.**

The OIG completed seven audit, inspection, and evaluation projects in an average time of 156.1 days, under six months (182.5 days). Excluding matters performed under contract by external firms, the OIG completed four projects in an average time of 148 days.

### **At least annually, complete a quality assurance review to ensure compliance with professional standards and office policies and procedures.**

As discussed later in this report, the OIG completed an internal quality assurance review of its audit, inspection, and evaluation functions on July 28, 2022.

## **Strategic Objective 1.2 Produce impactful products**

### **Make recommendations, as necessary, to management and monthly track recommendation status until closure.**

The OIG made 27 recommendations during FY 2022. The OIG tracked the status of those recommendations on an ongoing basis through its follow-up database and reported open recommendations to the FCA Board on a monthly basis. The OIG also maintained a list of open recommendations on Oversight.gov.

## **Strategic Objective 1.3 Ensure we have a diverse, professional, and highly skilled workforce**

### **Comply with mandatory training requirements and maintain professional certifications.**

All OIG staff remained on track to meet training requirements and maintain certifications as required by OIG policy and relevant professional standards.

### **Promote diversity, equity, inclusion, and accessibility.**

During FY 2022, the OIG endeavored to improve office awareness and consciousness of diversity, equity, inclusion, and accessibility issues through training, participation in FCA special emphasis programs, and involvement in the CIGIE Diversity, Equity, and Inclusion Work Group.

### **Strategic Objective 2.1 Address potential matters of wrongdoing and misconduct with proficiency, independence, and due professional care**

**Initially evaluate all FCA OIG hotline calls, emails, and other submissions within two business days of receipt.**

Of 32 complaints received during FY 2022, the OIG initially evaluated and acknowledged (or, where acknowledgement was not possible, acted upon) 27 complaints (84%) within two business days of receipt.

**Monthly track the status of allegations and investigations to ensure timely actions.**

The OIG tracked the status of all allegations received on an ongoing basis, and monthly reported their status to the FCA Board.

**Perform or undergo annual reviews to ensure investigative activities are conducted in accordance with quality standards and internal policies and procedures.**

The OIG did not conduct any investigations in FY 2022 and, as a consequence, did not conduct an investigative quality assurance review.

### **Strategic Objective 2.2 Provide an independent mechanism to report fraud, waste, and abuse**

**Maintain a hotline from a source independent of the Agency.**

Throughout the fiscal year, the OIG maintained a hotline email account procured through a commercial provider.

**Promote awareness of hotline avenues.**

The OIG promoted awareness of the various ways to submit complaints on the OIG's website, on the back cover of OIG reports, through posters displayed in Agency common areas, and during presentations to FCA employees.

### **Strategic Objective 2.3 Educate employees and contractors on fraud and whistleblower rights and protections**

**At least twice annually, educate employees on fraud, waste, abuse, mismanagement, and whistleblower protections.**

The OIG educated FCA employees on these subjects as part of presentations to new employees, during meetings with new Agency supervisors, and in the OIG's quarterly intra-agency newsletter.

### **Strategic Objective 3.1 Listen to and understand the needs, challenges, and interests of our stakeholders**

**Monthly track reviews of relevant existing or proposed legislation and regulations.**

In FY 2022, the OIG generally reported on comments submitted on proposed legislation as part of monthly status reports but did not document all items reviewed. As discussed later in this report, pursuant to an internal control review, the OIG adopted a new policy in September 2022 to provide for more comprehensive tracking of OIG reviews of legislation, regulations, and policies.

**Quarterly conduct a confidential survey of Farm Credit System institutions on the effectiveness of the Agency's examination program.**

The OIG surveyed System institutions on a quarterly basis throughout FY 2022. The OIG published survey reports on [July 18, 2022](#), covering institutions examined during the first two quarters of FY 2022, and on [January 21, 2022](#), covering institutions examined during the second, third, and fourth quarters of FY 2021.

**Annually conduct at least four outreach initiatives with employees.**

During FY 2022, the OIG conducted outreach to FCA employees through presentations to new employees at an Office of Examination conference and the issuance of its intra-agency newsletter, the *dIG*.

**Strategic Objective 3.2 Report to and fully inform the FCA Board and Congress**

**Issue the OIG Semiannual Report to Congress within 30 days of the end of each reporting period.**

During FY 2022, the OIG transmitted its Semiannual Reports to Congress to the FCA Board on April 28, 2022 and October 26, 2021, respectively.

**At least annually, brief Congressional oversight committees on OIG activities.**

The OIG provided virtual briefings to majority and minority staff of the House and Senate agricultural oversight committees twice during FY 2022.

**Post all audit, inspection, and evaluation reports within three business days of issuance to the FCA Board.**

All final audit, inspection, and evaluation reports issued during FY 2022 were posted to the OIG's website and to Oversight.gov within three business days of issuance to the FCA Board.

**At least quarterly, brief FCA Board members on OIG activities.**

The IG provided briefings to each FCA Board member on a quarterly basis in FY 2022.

**Strategic Objective 3.3 Participate in and engage with the IG Community**

**Monthly participate in CIGIE committees, work groups, or initiatives.**

As discussed in greater detail later in this report, OIG personnel participated extensively in CIGIE committees and work groups throughout FY 2022.

# AUDITS, INSPECTIONS, AND EVALUATIONS

The OIG regularly performs audits, inspections, and evaluations of FCA programs and operations. In so doing, OIG personnel seek to provide timely, credible, and relevant information to Agency leadership, Congress, other stakeholders, and the general public. FCA OIG audits are performed in accordance with the *Government Auditing Standards* issued by the U.S. Government Accountability Office, while inspections and evaluations adhere to the CIGIE *Quality Standards for Inspection and Evaluation*.



In planning its audits, inspections, and evaluations, the OIG employs a risk-based approach that accounts for prior oversight work, the control environment, input from the FCA Board and senior management, statutory requirements, and resources. For more information, and to learn about future OIG work, please see the [audit, inspection, and evaluation plan for FYs 2023 and 2024](#).

Reports issued may be found on the [OIG website](#) within three business days of issuance to the FCA Board. To receive a notification when a new report is published, please [subscribe](#) to the OIG mailing list. Reports are also posted on [Oversight.gov](#), a consolidated repository for the oversight work of federal inspectors general. Oversight.gov allows users to sort, search, and filter the site's database to find reports of interest. Users can receive notifications when new reports are added to Oversight.gov by following CIGIE's Twitter account, [@OversightGov](#).



## Summaries of Reports Issued

The OIG issued three reports and made fifteen recommendations for corrective action during the reporting period. The reports are summarized below.

### Farm Credit Administration's External Communication Process I-22-01

External communications serve an integral role in carrying out FCA's statutory mission. News releases, fact sheets, reports, videos, and other publications—whether distributed through the FCA website, social media platforms, or other means—serve to promote awareness, support, and understanding of the Agency's role and inform stakeholders. Within FCA, the Office of Congressional and Public Affairs (OCPA) serves as the principal point of contact for System institutions, System borrowers, Congress, and the public. OCPA works with other Agency offices to prepare communications, approving all information produced for external audiences prior to its dissemination.

The objective of this inspection was to determine whether FCA has an effective and efficient external communication process. In pursuit of this objective, the OIG reviewed FCA's processes for handling certain communications, including information distributed through the FCA website and on its social media accounts. The OIG compared the Agency's social media presence with those of other federal financial regulatory agencies, examined the Agency's social media procedures, and analyzed how the Agency

retained records related to social media. The OIG also, among other things, tested whether the Agency's website included certain types of information required by U.S. Office of Management and Budget (OMB) guidance.

The OIG found that while the Agency had created and expanded its social media presence in the past decade, opportunities for improvement existed. In reviewing a sample of social media posts from FCA and other federal financial regulatory agencies, the OIG found that FCA's use of social media was limited. Whereas the majority of FCA posts concerned hiring announcements or notices of Board meetings, other agencies disseminated information on various topics, including their role and mission, employee programs and initiatives, cybersecurity, and consumer protection. The OIG noted that FCA may be able to use some of the content ideas offered by these other agencies on its own social media accounts and stated that the type and frequency of such content could affect subscriber and follower numbers.

The inspection determined that two of the Agency's social media accounts were not considered verified, which would let users of the platform know that an account is authentic. The OIG also discovered a spoofed account on a social media platform not used by the Agency. Further, all Agency social media accounts omitted a disclaimer required by FCA policy, which states that comments and images posted by the public do not necessarily represent the Agency's views.

While FCA had developed and implemented certain controls over its external communications, the OIG found others in need of updating, implementation, and improvement. For example, the Agency's process for approving social media posts was not documented for some platforms. The OIG also found that OCPA lacked documentation regarding which employees were authorized to post on FCA social media accounts, that account login information was not secured in accordance with Agency policy, and that social media posts were not always captured in official Agency recordkeeping systems. With respect to the FCA website, the OIG noted that OCPA had not fully documented processes for its maintenance and security, but found no exceptions upon testing for certain governmentwide requirements for federal agency websites.

The OIG discerned several root causes for the issues noted, including a lack of analysis regarding FCA's use of social media, which could help the Agency understand how to optimize utilization and extend the reach of its messaging. The OIG also identified the absence of comprehensive external communications policies and procedures.

The [inspection report](#) was issued on August 2, 2022. The OIG made five recommendations for corrective action. FCA agreed with, or partially agreed with, all recommendations. With respect to the one recommendation with which management partially agreed, the OIG determined that the Agency's planned corrective action was responsive to the recommendation.

**The Farm Credit Administration's Compliance with the  
Federal Information Security Modernization Act for Fiscal Year 2022  
A-22-02**

Information technology facilitates and impacts all aspects of FCA operations. As such, securing Agency systems against cybersecurity threats and efficiently addressing requirements are vital to the fulfillment of FCA's mission. Under the Federal Information Security Modernization Act of 2014<sup>3</sup> (FISMA), the OIG is

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<sup>3</sup> 44 U.S.C. § 3555(b)(1).

required to annually evaluate the FCA's information security program and practices to determine their effectiveness. The OIG contracted with the independent public accounting firm of Williams Adley & Company-DC LLP (Williams Adley) to perform this review for FY 2022. The OIG monitored the work of Williams Adley for compliance with the *Government Auditing Standards*.

In accordance with guidance developed by OMB, the U.S. Department of Homeland Security, and CIGIE, Williams Adley assessed FCA's performance with respect to 20 core metrics across nine domains: risk management, supply chain risk management, configuration management, identity and access management, data protection and privacy, security training, information security continuous monitoring, incident response, and contingency planning. For each domain, FCA's effectiveness was ranked according to a maturity model ranging from "ad-hoc" (level 1) to "optimized" (level 5). According to the FISMA metrics, a "managed and measurable" (level 4) information security program is considered to be operating at an effective level of security.

The focus on 20 core metrics marks a departure from prior years' FISMA reviews, the most recent of which required assessment of 66 metrics. Along with this change, OMB guidance shifted the due date for FY 2022 FISMA reports from October to July to better align the release of OIG assessments with development of the President's budget.

Based on its auditors' review of the 20 core metrics, Williams Adley concluded that FCA had implemented an effective security program for FY 2022. The Agency continued to improve its information security program and made progress in implementing the majority of recommendations made as part of previous FISMA evaluations. Williams Adley determined that the Agency was "managed and measurable" (level 4) for six domains. The information security continuous monitoring domain was "consistently implemented" (level 3), while Williams Adley determined the contingency planning and supply chain risk management domains to be "defined" (level 2).

The [audit report](#) was issued on July 25, 2022. Williams Adley made two recommendations, related to information security continuous monitoring and contingency planning, respectively. FCA agreed with both recommendations.

The OIG's monitoring disclosed no instances where Williams Adley did not comply, in all material respects, with the *Government Auditing Standards*.

### **Farm Credit Administration's Enterprise Risk Management and Internal Control Program A-22-01**

In July 2016, OMB issued guidance requiring agencies to implement an Enterprise Risk Management (ERM) capability coordinated with agency strategic planning and internal control processes. While there are many ways to implement ERM, it generally comprises an approach for understanding the impacts of risks as an interrelated portfolio, rather than addressing those risks within silos. Another important factor for accountability, internal control refers to a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of the entity are achieved. While each office within FCA has a role to play, the Office of the Chief Financial Officer (OCFO) is responsible for coordinating the Agency's ERM and internal control efforts and ensuring compliance with associated requirements.

The objective of this audit was to determine whether FCA had established an adequate ERM and internal control program. Among other things, the OIG reviewed Agency risk profiles and management control plans and analyzed a sample of the Agency’s internal control reviews.

While FCA had developed an ERM process, the OIG noted that improvements were needed with respect to risk monitoring, updating the Agency’s risk appetite, addressing risk, and providing communication and training on risk management. The OIG identified, as root causes for these issues, a lack of structured, formalized risk management processes and that the Agency’s ERM policy did not fully document specific procedures.

With regard to internal controls, the OIG found that the Agency had not fully documented or implemented its new risk and control self-assessment process. The OIG also noted inconsistencies in the ratings assigned to risks identified by FCA, improvements regarding service organization reviews, and that the Agency lacked a process to monitor implementation of recommendations made as part of internal control reviews. The OIG determined several root causes for these issues, including a prolonged and inefficient implementation strategy for the Agency’s risk and control self-assessment process and a decentralized approach to tracking responses to internal control reviews

The [audit report](#) was issued on June 9, 2022. The OIG made eight recommendations to improve the Agency’s ERM and internal control program. FCA agreed with all recommendations.

### Recommendations Made During the Reporting Period

Table 1 shows all recommendations for corrective action made during the reporting period.

Table 1

Report	Recommendation
Farm Credit Administration’s External Communication Process	1 The Office of Inspector General recommends the Office of Congressional and Public Affairs analyze the use of social media accounts to understand how to optimize content and extend the reach of the messaging.
	2 The Office of Inspector General recommends the Office of Congressional and Public Affairs pursue verification of the Farm Credit Administration Twitter and Facebook accounts.
	3 The Office of Inspector General recommends the Office of Congressional and Public Affairs, in coordination with applicable offices, document social media processes to include: <ul style="list-style-type: none"> <li>• approval processes,</li> <li>• monitoring responsibilities,</li> <li>• required disclaimers,</li> <li>• password protection, and</li> <li>• records retention.</li> </ul>

Report	Recommendation	
Farm Credit Administration's External Communication Process ( <i>continued</i> )	4	The Office of Inspector General recommends the Office of Congressional and Public Affairs, in coordination with other applicable offices, document website procedures that include roles and responsibilities for website maintenance and security.
	5	The Office of Inspector General recommends the Office of Congressional and Public Affairs update and finalize the Office of Congressional and Public Affairs procedures manual.
The Farm Credit Administration's Compliance with the Federal Information Security Modernization Act for Fiscal Year 2022	1	Not publicly released.
	2	Not publicly released.
Farm Credit Administration's Enterprise Risk Management and Internal Control Program	1	The Office of Inspector General recommends the Office of the Chief Financial Officer develop and document structured processes for: <ul style="list-style-type: none"> <li>• Cross-organizational reviews of risks;</li> <li>• Monitoring risk information throughout the year;</li> <li>• Approving the risk profile;</li> <li>• Updating the risk appetite;</li> <li>• Evaluating strategies to address risk; and</li> <li>• Providing communication and training to personnel with risk management responsibilities.</li> </ul>
	2	The Office of Inspector General recommends the Office of the Chief Financial Officer implement the current internal control review process across Farm Credit Administration offices.
	3	The Office of Inspector General recommends the Office of the Chief Financial Officer update Policies and Procedures Manual 1007 and annual guidance to reflect the current internal control review process.
	4	The Office of Inspector General recommends the Office of the Chief Financial Officer develop and document timelines for updating the Agency's Management Control Plan.
	5	The Office of Inspector General recommends the Office of the Chief Financial Officer develop and document a process to review service organization control reports.

Report	Recommendation
Farm Credit Administration's Enterprise Risk Management and Internal Control Program <i>(continued)</i>	6 The Office of Inspector General recommends the Office of the Chief Financial Officer determine the needs of the Agency related to internal control reviewers.
	7 The Office of Inspector General recommends the Office of the Chief Financial Officer train internal control reviewers on requirements and responsibilities.
	8 The Office of Inspector General recommends the Office of the Chief Financial Officer develop and document a process to monitor gaps and recommendations identified in internal control reviews.

## In Progress

Below are the audits, inspections, and evaluations in progress at the end of the reporting period.

### **Audit of the Farm Credit Administration's Financial Statements Fiscal Year 2022**

The Accountability of Tax Dollars Act of 2002 requires that FCA annually submit audited financial statements to Congress and OMB. Those financial statements must be audited by the IG or an independent external auditor, as determined by the IG. The OIG has contracted with the independent public accounting firm of Harper, Rains, Knight & Company, P.A., to perform this audit for FY 2022. The OIG is monitoring the work of the firm.

### **Audit of the Farm Credit Administration's Examiner Staffing**

Under the Farm Credit Act, FCA is required to examine each System institution no less than once every 18 months. As such, recruitment and retention within the Office of Examination is vital to ensuring the System remains a dependable source of credit and related services for all creditworthy and eligible persons in agriculture and rural America. Rotating examiners is another important element of the Agency's oversight, helping to ensure that examinations are fair, impartial, and independent. The objective of this audit is to evaluate FCA's examination staffing processes. The review will cover the recruiting, scheduling, and retaining of examiners.

# INVESTIGATIONS

The OIG has broad discretion to carry out investigations related to FCA programs and operations that the IG determines to be necessary or appropriate. The range of matters falling within the OIG's investigative purview is expansive, encompassing potential violations of law, rules, or regulations; mismanagement; abuses of authority; and more. Investigative activities may be initiated upon allegations or referrals received from a variety of sources, including, but not limited to, FCA employees or contractors, congressional committees, other agencies, System institutions, or members of the public. The OIG may also investigate potential fraud, waste, abuse, and mismanagement identified through OIG audits, inspections, and evaluations.

In exercising its investigative authorities, the OIG works to develop products that are timely, clear, and credible, and to guard the identities of those who provide information to the OIG. All investigations are carried out in accordance with the CIGIE *Quality Standards for Investigations*.

Table 2 summarizes major investigative activity during the reporting period.

**Table 2**

Metric	Number
Investigative reports issued <sup>4</sup>	0
Persons referred to the U.S. Department of Justice for criminal prosecution	0
Persons referred to state and local prosecuting authorities for criminal prosecution	0
Indictments and criminal informations that resulted from any prior referral to prosecuting authorities	0

## Complaint Activity

FCA employees and others may confidentially report potential fraud, waste, abuse, or mismanagement to the OIG in-person or via telephone, email, or mail. Table 3 shows the disposition of complaints received during the reporting period or carried over from a previous reporting period.

**Table 3**

Action Taken	Number
Investigation opened	0
Closed after review with no further specific investigative action	7
Referred to FCA program manager	2
Referred to other federal, state, or local agency or authority	0
Under review at the end of the reporting period	1
<b>Total</b>	<b>10</b>

## Summaries of Investigations

The OIG did not conclude any investigations during the reporting period. Closing memoranda for investigations are available on the [OIG's online reports page](#).

<sup>4</sup> This metric does not include memoranda memorializing the closure or referral of complaints.

# OTHER REPORTS AND REVIEWS

The OIG also conducts reviews that do not fit the description of an audit, inspection, evaluation, or investigation. These projects are typically undertaken in accordance with a statutory requirement, for quality assurance purposes, or to otherwise provide comprehensive oversight of FCA programs and operations. Below are summaries of such reviews that were completed during the reporting period.

## **2022 Internal Quality Assurance Review**

The OIG annually conducts an internal quality assurance review of its audit, inspection, and evaluation functions to determine whether OIG procedures were established, implemented, and operating effectively. The review determined that internal policies and procedures were effective and followed for audits, inspections, and evaluations completed in FY 2022. Completed on July 28, 2022, the review noted no systemic issues or weaknesses and therefore made no recommendations.

## **Survey of Farm Credit System Institutions Regarding the Agency's Examination Function**

Each quarter, the OIG surveys recently examined System institutions on the quality and consistency of FCA's examination function. Survey questions seek the institution's views on several matters, ranging from the appropriateness of the examination's scope and the examiners' conduct to the helpfulness of any recommendations or required actions. The survey employs a numerical rating system and allows for institutions to provide narrative responses as well as to call the OIG with any concerns. The OIG collects, aggregates, and anonymizes survey responses for distribution semiannually to the FCA Board and Chief Examiner.

The OIG issued a [survey report](#) on July 18, 2022, detailing responses from System institutions examined during the first two quarters of FY 2022. Prior survey reports are available on the [OIG's online reports page](#).

## **Internal Control Review of the Office of Inspector General Legislation and Regulations Review Function**

In accordance with FCA policy, the OIG conducted an internal control review of the OIG's legislation and regulations review function. This review focused on identifying associated risks and testing internal controls implemented to manage those risks. The review found that the OIG implemented various internal controls for the legislation and regulations review function but that improvements could be made in the documentation of policies and procedures, tracking of legislative reviews, and reporting in the semiannual reports to Congress. Completed July 14, 2022, the review made four recommendations to help effect these improvements.

# OUTREACH, COLLABORATION, AND OTHER INITIATIVES

## FCA Employees

The cooperation of FCA employees is essential to all aspects of OIG oversight. Accordingly, the OIG has several ongoing initiatives geared toward educating FCA employees on the OIG's mission and authorities. These include a quarterly intra-agency newsletter, the *dIG*, which spotlights the office's functions and provides recent examples of OIG oversight products government-wide. The OIG also participates in orientation training for new FCA employees and distributes posters to promote awareness of the OIG hotline.

## Congress

In the interest of fulfilling its responsibility to keep Congress fully and currently informed about problems and deficiencies relating to FCA programs and operations, the OIG endeavors to respond expeditiously to all congressional requests and to periodically brief oversight committees on recent OIG activity. In June and July, the IG provided briefings on OIG activities to majority and minority staff from the Senate Committee on Agriculture, Nutrition, and Forestry and the House Committee on Agriculture.

## Inspector General Community

The OIG is active in the IG community, with staff lending their efforts and expertise to the work of various CIGIE committees, working groups, and initiatives.

Throughout the reporting period, IG Laguarda served as Chair of the CIGIE Inspection and Evaluation (I&E) Committee. One of CIGIE's standing committees, the I&E Committee maintains professional standards for inspections and evaluations, heads the development of protocols for reviewing cross-agency management issues, and oversees the I&E peer review process. Under the purview of this committee, the OIG's Assistant Inspector General for Audits, Inspections, and Evaluations leads the I&E Roundtable. Of particular note, in June, the I&E Committee, Roundtable, and OIG personnel organized and presented at a virtual CIGIE town hall on the past, present, and future of inspections and evaluations. The event, which featured panel discussions on the I&E Roundtable and implementation of the CIGIE *Quality Standards for Inspection and Evaluation* as well as presentations on collaboration and the peer review process, drew nearly 500 participants from across the IG community.

The IG also served on the CIGIE Budget and Legislation Committees and as a member of the CIGIE IG candidate panel. The Legislation Committee fosters relationships with Congress, represents the IG community's interests on legislative initiatives, and keeps OIGs apprised of pertinent legislative developments. The Budget Committee provides leadership in the development of CIGIE's annual appropriation requests and coordinates with OMB and relevant Congressional committees on funding CIGIE activities. The IG candidate panel reviews potential IG candidates and makes recommendations to the appropriate appointing authority—the President or agency head. Finally, as Chair of the I&E Committee, IG Laguarda also sat on the CIGIE Executive Council, which assists in governance of CIGIE.

In addition to their involvement in the above-listed committees, OIG staff participated in a variety of CIGIE committees and working groups, including the Audit Committee, the Diversity, Equity, Inclusion, and Accessibility Work Group, the Small and Unique IG working group, the Council of Counsels to the Inspectors General, the Assistant Inspectors General for Investigations Subcommittee, and the Whistleblower Protection Coordinators working group.

## **Reviews of Proposed Legislation, Regulations, and Policies**

The OIG reviews proposed and existing legislation, regulations, and policies that affect Agency programs and operations or the mission and functions of the OIG. When appropriate, the OIG makes recommendations regarding the impact of such legislation, regulations, and policies on economy or efficiency, the prevention and detection of fraud, waste, and abuse, or the integrity and independence of the OIG. This reporting period saw the OIG review a variety of developments related to FCA or IG authorities. The OIG provided comments through CIGIE on the CIGIE Charter and proposed legislation concerning IG reporting requirements and other IG authorities.

## **Internal Operations and OIG Liaisons**

The OIG is in continuous pursuit of ways to improve its own operations. During the reporting period, pursuant to a recommendation made as part of an internal control review, the OIG implemented a new internal directive addressing procedures for reviewing and commenting on proposed and existing legislation, regulations, and policies. The OIG, with FCA's Office of Information Technology, also developed a new dedicated collaboration site to help document the OIG's investigative activities. Finally, in order to help the OIG better assess risks facing the Agency, understand management challenges, and further improve cooperation between the OIG and management, the IG designated personnel to liaison with leadership of FCA's component offices.

# APPENDIX I: PEER REVIEWS

To ensure adherence to relevant professional standards, each OIG is subject to periodic external peer reviews. Information on peer reviews conducted by and of the FCA OIG is provided below.

Reports of external peer reviews of FCA OIG operations may be found on the [OIG website](#). Reports of peer reviews conducted by the FCA OIG may be located on the websites of the reviewed OIGs.

## Audit

The U.S. Government Accountability Office *Government Auditing Standards* require any organization conducting audits in accordance with those standards to undergo an external peer review at least once every three years. These peer reviews conclude in a rating of *pass*, *pass with deficiencies*, or *fail*. A rating of *pass* signifies that the audit organization's system of quality control has been suitably designed and complied with to provide the organization with reasonable assurance of performing and reporting in conformity with applicable professional standards and legal and regulatory requirements in all material respects.

On June 9, 2022, the Federal Trade Commission OIG issued a [final report](#) of its peer review of the FCA OIG audit organization. The FCA OIG received the highest rating available, *pass*, with no letter of comment and no recommendations for corrective action.

The FCA OIG did not conduct any audit peer reviews during the reporting period.

## Inspection and Evaluation

The CIGIE *Quality Standards for Inspection and Evaluation* require members of CIGIE that conduct inspections or evaluations under those standards to undergo an external peer review every three years. Inspection and evaluation peer review reports do not include an overall rating (such as *pass* or *fail*) but state whether the reviewed OIG's policies and procedures were generally consistent with CIGIE standards and whether the OIG's work generally complied with those standards.

On July 8, 2022, the Securities and Exchange Commission OIG issued a [final report](#) of its peer review of the FCA OIG inspection and evaluation organization. The FCA OIG received the highest rating available, with the report finding that FCA OIG's policies and procedures generally were consistent with the standards addressed and that the reports reviewed generally complied with standards and FCA OIG's policies and procedures. The report included no letter of comment and made no recommendations for corrective action.

The FCA OIG did not conduct any inspection and evaluation peer reviews during the reporting period.

## Investigation

CIGIE's *Qualitative Assessment Review Guidelines for Investigative Operations of Federal Offices of Inspector General* establish an independent external evaluation process for investigative operations. The objective of an investigative peer review is to determine whether internal control 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*. Reviewed OIGs are assessed a rating of *compliant* or *non-compliant*. While the guidelines do not mandate that OIGs without statutory law enforcement authority—like the FCA OIG—undergo investigative peer reviews, they encourage voluntary participation.

The FCA OIG did not undergo an investigative peer review during the reporting period. The OIG's investigative function is scheduled to be peer reviewed in summer 2023. The [most recent peer review](#) of the FCA OIG's investigative program was performed by the Securities and Exchange Commission OIG for the one-year period ending September 30, 2007.

The FCA OIG did not conduct any investigative peer reviews during the reporting period.

## Outstanding Recommendations

There are no outstanding recommendations from any peer review conducted by another OIG that have not been fully implemented.

There are no recommendations from any peer review conducted by the FCA OIG that remain outstanding or that have not been fully implemented.

## APPENDIX II: REPORTS ISSUED

Table 4 lists all audit, inspection, and evaluation reports issued during the reporting period. For each report, Table 4 lists the dollar value of questioned costs (including the dollar value of unsupported costs) and the dollar value of recommendations that funds be put to better use.

**Table 4**

Report Title	Dollar Value of Questioned Costs		Dollar Value of Recommendations that Funds be Put to Better Use
	Total	Unsupported	
Farm Credit Administration's External Communication Process	\$0	\$0	\$0
The Farm Credit Administration's Compliance with the Federal Information Security Modernization Act for Fiscal Year 2022	\$0	\$0	\$0
Farm Credit Administration's Enterprise Risk Management and Internal Control Program	\$0	\$0	\$0
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

# APPENDIX III: REPORTS WITH QUESTIONED COSTS

Table 5 shows the number of audit, inspection, and evaluation reports issued with questioned costs, and the total dollar value of questioned costs associated with those reports.

**Table 5**

<b>Requirement</b>	<b>#</b>	<b>Questioned Costs</b>	<b>Unsupported Costs</b>
(A) Reports for which no management decision had been made by the commencement of the reporting period	0	\$0	\$0
(B) Reports issued during the reporting period	0	\$0	\$0
Subtotal (A+B)	0	\$0	\$0
(C) Reports for which a management decision was made during the reporting period, including—	0	\$0	\$0
(i) the dollar value of disallowed costs		\$0	\$0
(ii) the dollar value of costs not disallowed		\$0	\$0
(D) Reports for which no management decision has been made by the end of the reporting period	0	\$0	\$0

# APPENDIX IV: REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

Table 6 shows the number of audit, inspection, and evaluation reports issued with recommendations that funds be put to better use.

**Table 6**

<b>Requirement</b>	<b>#</b>	<b>Unsupported Costs</b>
(A) Reports for which no management decision had been made by the commencement of the reporting period	0	\$0
(B) Reports issued during the reporting period	0	\$0
Subtotal (A+B)	0	\$0
(C) Reports for which a management decision was made during the reporting period, including—	0	\$0
(i) the dollar value of recommendations that were agreed to by management		\$0
(ii) the dollar value of recommendations that were not agreed to by management		\$0
(D) Reports for which no management decision has been made by the end of the reporting period	0	\$0

# APPENDIX V: OPEN RECOMMENDATIONS

Table 7 includes summary information regarding audit, inspection, and evaluation reports issued before April 1, 2022, for which there were outstanding unimplemented recommendations as of September 30, 2022, including the aggregate potential cost savings of those recommendations. There were no reports issued before the commencement of the reporting period for which no management decision had been made by the end of the reporting period or for which no comment was returned within 60 days.

**Table 7**

Report	Outstanding Unimplemented Recommendations	Aggregate Potential Cost Savings
The Farm Credit Administration's Compliance with the Federal Information Security Modernization Act for Fiscal Year 2020 (October 30, 2020)	1	\$0
The Office of Secondary Market Oversight's Examination Policies and Procedures (September 24, 2021)	1	\$0
<b>Total:</b>	<b>2</b>	<b>\$0</b>

Table 8 identifies recommendations made during previous reporting periods for which corrective action had not been completed as of September 30, 2022. An up-to-date list of open OIG recommendations may be found at [Oversight.gov/recommendations](https://www.oversight.gov/recommendations).

**Table 8**

Report	Recommendation
The Farm Credit Administration's Compliance with the Federal Information Security Modernization Act for Fiscal Year 2020	6 Not publicly released.
The Office of Secondary Market Oversight's Examination Policies and Procedures	2 The Office of Inspector General recommends the Office of Secondary Market Oversight document examination policies and procedures unique to the examination of the Federal Agricultural Mortgage Corporation.

# INDEX OF REPORTING REQUIREMENTS

The following is an index to IG Act reporting requirements.

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5(a)(1)	Significant problems, abuses, and deficiencies	7-10
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5(a)(3)	Recommendations described in previous semiannual reports for which corrective action has not been completed	22
5(a)(4)	Matters referred to prosecutive authorities	13
5(a)(5)	Reports of information or assistance unreasonably refused or not provided	None
5(a)(6)	Audit, inspection, and evaluation reports issued	19
5(a)(7)	Summaries of significant reports	7-10
5(a)(8)	Management decisions with respect to questioned costs	20
5(a)(9)	Management decisions on recommendations that funds be put to better use	21
5(a)(10)	Reports issued before the reporting period for which no management decision has been made, for which no comment was returned, and for which there are outstanding unimplemented recommendations	22
5(a)(11)	Significant revised management decisions	None
5(a)(12)	Significant management decisions with which the IG disagrees	None
5(a)(13)	Information described under section 804(b) of the Federal Financial Management Improvement Act of 1996	None
5(a)(14)-(15)	Peer reviews conducted by another OIG	17-18
5(a)(16)	Peer reviews conducted by the FCA OIG	17-18
5(a)(17)	Statistical tables for investigations and referrals	13
5(a)(18)	Metrics for developing investigative statistics	13
5(a)(19)	Investigations involving a senior government employee where allegations of misconduct were substantiated	None
5(a)(20)	Instances of whistleblower retaliation	None
5(a)(21)	Attempts to interfere with OIG independence	None
5(a)(22)(A)	Closed audits, inspections, and evaluations not disclosed to the public	None
5(a)(22)(B)	Closed investigations involving a senior government employee not disclosed to the public	None

There were no contract audit reports issued during the reporting period that would be reportable under section 845 of the National Defense Authorization Act of 2008.<sup>5</sup>

<sup>5</sup> Pub. L. 110-181 (Jan. 28, 2008).





Farm Credit Administration  
Office of Inspector General

## **REPORT FRAUD, WASTE, ABUSE, & MISMANAGEMENT**

**Fraud, waste, abuse, and mismanagement in government concerns everyone: Office of Inspector General staff, Farm Credit Administration employees, Congress, and the general public. We actively solicit allegations of any fraud, inefficient and wasteful practices, abuse of authority, and mismanagement related to FCA programs and operations. You can report allegations to us in several ways:**

**Phone: (800) 437-7322 (Toll-Free)  
(703) 883-4316**

**Email: [fca-ig-hotline@rcn.com](mailto:fca-ig-hotline@rcn.com)**

**Mail: 1501 Farm Credit Drive  
McLean, VA 22102-5090**

**To learn more about reporting wrongdoing to the OIG, please visit our website at <https://www.fca.gov/about/inspector-general>.**