

Farm Credit Administration Office of Inspector General



Semiannual Report to Congress

April 1, 2021 – September 30, 2021

FCAOIG
Farm Credit Administration
Office of Inspector General

FARM CREDIT ADMINISTRATION OFFICE OF INSPECTOR GENERAL



Farm Credit Administration
Office of Inspector General

SEMIANNUAL REPORT TO CONGRESS

APRIL 1, 2021 – SEPTEMBER 30, 2021

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, 2021 through September 30, 2021.

While we close out yet another six months under the cloud of the COVID-19 pandemic, I can report another busy period for our audit, inspection, and evaluation functions. We concluded an inspection for which we surveyed FCA employees on the Agency’s response to the pandemic, identifying opportunities for FCA to provide additional information on workplace safety procedures and requirements. We also audited the Office of Secondary Market Oversight’s (OSMO) examination policies and procedures, making recommendations to increase consistency in the annual examination of the Federal Agricultural Mortgage Corporation and improve OSMO’s internal policies for identifying potential conflicts of interest.

Nor did the ongoing pandemic prevent us from carrying out our other responsibilities. We diligently addressed all complaints received via the OIG hotline and reviewed and updated several internal policies and procedures to ensure the continuous improvement of our own operations. In view of our responsibility to keep Agency leadership and Congress fully and currently informed, we provided briefings to the FCA Board and staff of the House and Senate agricultural oversight committees.

Finally, our office continued to make impactful contributions to the inspector general (IG) community. Throughout the reporting period, I chaired the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Inspection and Evaluation Committee, while OIG staff brought their skills and experience to bear for the benefit of this and other CIGIE committees and workgroups. Notably, in June I and members of my staff presented at a town hall event on the revised CIGIE *Quality Standards for Inspection and Evaluation*. The virtual event, which was organized by OIG staff in coordination with others in the IG community, had over 700 participants across the government. I was also honored to serve on the CIGIE panel that makes recommendations on potential IG candidates to the President and agency heads.

As we plan for a post-pandemic future, we are determined to take advantage of the lessons we have learned working in a remote environment. We look forward to employing the tools and flexibilities identified these past two years to provide the highest quality independent and objective oversight of FCA.



Wendy R. Laguarda
Inspector General



ACRONYMS & ABBREVIATIONS

AIGAIE	Assistant Inspector General for Audits, Inspections, and Evaluations
CIGIE	Council of the Inspectors General on Integrity and Efficiency
E.O.	Executive Order
Farm Credit Act	Farm Credit Act of 1971, as amended
Farmer Mac	Federal Agricultural Mortgage Corporation
FCA (or Agency)	Farm Credit Administration
FISMA	Federal Information Security Modernization Act of 2014
FY	Fiscal Year
GAO	U.S. Government Accountability Office
I&E	Inspection and Evaluation
IG	Inspector General
IG Act	Inspector General Act of 1978, as amended
OE	Office of Examination
OIG	Office of Inspector General
OMB	U.S. Office of Management and Budget
OSMO	Office of Secondary Market Oversight
PIIA	Payment Integrity Information Act
Pub. L.	Public Law
System	Farm Credit System
U.S.	United States
U.S.C.	United States Code

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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, 2021, the System consisted of three farm credit banks, one agricultural credit bank, one federal land credit association and 66 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 (Farm Credit Act),¹ FCA ensures the safety and soundness of System institutions by issuing policies and regulations, and by regularly examining System institutions to assess compliance with applicable laws and regulations. FCA has approximately 300 full- and part-time employees distributed across five offices nationwide.

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 of the Board—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, Chairman Glen R. Smith and Board Member Jeffery S. Hall.

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 (IG Act),² by conducting and supervising audits, inspections, evaluations, and investigations; promoting economy and efficiency;

¹ 12 U.S.C. § 2001 *et seq.*

² 5 U.S.C. app.

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 Laguarda, who has served as the IG since August 2017. Reporting to the IG are the Assistant Inspector General for Audits, Inspections, and Evaluations (AIGAIE), the Investigator, and the Counsel to the IG. The AIGAIE 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.

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

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. The following describes some of the OIG’s actions during the FY 2021 that were relevant to those performance measures.

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

In September 2020, the OIG published an [audit, inspection, and evaluation plan for FYs 2021 and 2022](#). A [plan for FYs 2022 and 2023](#) was published in October 2021.

Complete products in an average time of six months.

The OIG completed six audit, inspection, and evaluation projects in an average time of 174.8 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 165.8 days.

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

On July 21, 2021, the OIG completed an internal quality assurance review of its audit, inspection, and evaluation functions.

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

The OIG made nineteen recommendations during FY 2021. The OIG tracked the status of those recommendations on an ongoing basis and reported open recommendations to the FCA Board on a monthly basis. To aid in the tracking and reporting of recommendations, this year saw the implementation of a new electronic recommendation follow-up system, developed with the assistance of the FCA Office of Information Technology.

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.

In September 2021, this measure was updated to address equity and accessibility.

During FY 2021, the OIG endeavored to improve office awareness and consciousness of diversity, equity, inclusion, and accessibility issues through training and internal discussions. As part of this initiative, OIG staff members presented topics of interest to them, including the impacts of the COVID-19 pandemic on women’s employment, eliminating workplace stigmas surrounding dyslexia, the contributions of veterans, black farm ownership in the United States, the impacts of government action on segregation, and transgender discrimination.

OIG personnel also promoted these subjects by involvement in the CIGIE Diversity, Equity, and Inclusion Work Group, established in 2021 to affirm, advance, and augment

CIGIE's commitment to promote a diverse, equitable, and inclusive workforce and workplace environment throughout the IG Community.

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

In September 2021, this measure was updated to clarify the expectation that complaints be *initially* evaluated within two business days. Of 46 complaints received during FY 2021, the OIG initially evaluated and acknowledged (or, where acknowledgement was not possible, acted upon) 44 complaints (95.7%) 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.

In September 2021, this performance measure was modified to require annual reviews of investigative activities, rather than regular reviews of particular investigations. In order to meet this measure going forward, the OIG's investigations manual has been updated to require annual quality assurance reviews in years where the OIG does not receive an external peer review.

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, and during presentations to FCA employees.

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, through three virtual town hall meetings, during meetings with new Agency supervisors, and in the OIG's quarterly intra-agency newsletter.

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

In September 2021, this measure was updated to require monthly tracking of reviews of legislation and regulations, rather than timely review and comment. This modified measure will be addressed in future years' reports. As discussed later in this report, the OIG commented upon legislation, as appropriate, through the CIGIE Legislation Committee.

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

With the onset of the COVID-19 pandemic and related adjustments to FCA’s examination activities, the OIG paused its regular surveys of System institutions in April 2020 but notified System institutions that the OIG remained available to hear any concerns about the examination process. The OIG resumed the survey process in May 2021, with two new questions concerning the efficiency and effectiveness of communications during remote examinations.

Annually conduct at least four outreach initiatives with employees.

During FY 2021, the OIG conducted outreach to FCA employees through presentations to new employees and the issuance of an intra-agency newsletter. Additionally, in March 2021, the OIG held three virtual town hall meetings open to all FCA employees. These meetings were designed to demystify the OIG and elicit discussion about the office’s oversight work.

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

During FY 2021, the OIG transmitted its Semiannual Reports to Congress to the FCA Board on April 29, 2021 and October 30, 2019, respectively.

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

In June, the OIG provided virtual briefings to majority and minority staff of the House and Senate agricultural oversight committees.

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 2021 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 virtual briefings to each FCA Board member on a quarterly basis.

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

In September 2021, this measure was updated to clarify the frequency of participation required. As discussed in greater detail later in this report, OIG personnel participated extensively in CIGIE committees and work groups throughout FY 2021.

The OIG regularly completes 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 (GAO), 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 2022 and 2023](#).

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 two reports and made five recommendations for corrective action during the reporting period. The reports are summarized below.

The Office of Secondary Market Oversight's Examination Policies and Procedures A-21-01

Unique among System institutions, Farmer Mac is a government-sponsored enterprise with the mission of providing a secondary market for a variety of loans made to borrowers in rural America. The OIG has recognized oversight of Farmer Mac as one of the most serious [management challenges](#) facing the Agency. Within FCA, the Office of Secondary Market Oversight (OSMO) is tasked with the examination, regulation, and general supervision of Farmer Mac.

The Farm Credit Act requires that FCA, through OSMO, examine the financial transactions of Farmer Mac no less than once each year. The objective of this audit was to determine whether OSMO's examination policies and procedures are documented and implemented.

The OIG found that OSMO had limited documented policies and procedures for the areas unique to Farmer Mac examination work. While OSMO had directives addressing various aspects of its oversight of Farmer Mac, those directives lacked guidance on conducting the examination. According to OSMO officials, staff performing the Farmer Mac examination follow procedures established by the Office of Examination (OE) and use the FCA Examination Manual as guidance, as applicable. While the FCA Examination Manual provides a base of procedures, criteria, and guidance, it is maintained by OE,

which is responsible for the supervision of System institutions other than Farmer Mac. Consequently, the FCA Examination Manual contains steps and references that are not applicable to Farmer Mac and does not include OSMO-specific procedures. To ensure accuracy and consistency in OSMO's examination practices, the OIG identified a need for OSMO to document its reliance on the FCA Examination Manual, those areas that are not applicable to Farmer Mac, and OSMO examination steps that the FCA Examination Manual does not address.

Additionally, a review of certain unique examination activities found that OSMO generally implemented its examination processes. Despite a lack of formal policies and procedures for the loan review process, the OIG reviewed OSMO workpapers and determined that examiners completed certain aspects of the exam that were unique to Farmer Mac.

The OIG also tested OSMO's implementation of policies and procedures that serve to identify potential conflicts that individuals working on a rotational assignment in OSMO may have as a result of work on examinations of other System institutions. The OIG identified opportunities to improve controls over the conflict of interest certification process, as OSMO lacked procedures to ensure that individuals completed certification forms as required. The OIG also noted that OSMO's directive did not mandate conflict-of-interest forms be completed before performing Farmer Mac examination work, resulting in inconsistencies in the timing of the process and undermining the forms' purpose.

Over the course of the audit, OSMO began to address concerns identified by the OIG, including by drafting and implementing written guidance for its examination process and updating its conflict-of-interest process.

The OIG made four recommendations for corrective action, all of which were agreed to by FCA.

The [audit report](#) was issued on September 24, 2021.

Survey of FCA Employees on COVID-19 I-21-02

In March 2020, the World Health Organization declared COVID-19 a global pandemic. That same month, FCA took steps to protect employees, entering a mandatory telework status for employees across the Agency's five offices. From that point and throughout this inspection, the Agency generally remained in a full-telework status, with limited exceptions for essential staff. In July 2020, FCA began allowing employees to work from their offices with supervisory approval and assurances that the employee had not been diagnosed with, had symptoms of, or been exposed to others diagnosed with COVID-19.

On January 20, 2021, the President signed Executive Order (E.O.) 13991, directing executive agencies to take immediate action to require compliance with Centers for Disease Control and Protection guidelines on mask-wearing, maintaining physical distance, and other public health measures. E.O. 13991 was followed shortly by implementing guidance from the U.S. Office of Management and Budget (OMB), which

provided model principles intended to assist agencies in building tailored COVID-19 workplace safety plans.

The objective of this inspection was to conduct a survey of FCA employees on safety measures and other actions implemented by the Agency in response to COVID-19. The OIG developed a seventeen-question survey based on guidance set forth in E.O. 13991 and implementing OMB guidance. The survey was administered from March 3 to 10, 2021, using a web-based platform that allowed for employees' responses to be submitted anonymously.

225 of 311 eligible FCA employees completed the survey, equating to a 72 percent response rate. Overall, the results showed that employees believed the Agency took positive action in response to the COVID-19 pandemic. 72 percent of respondents indicated that they had not worked at their assigned worksite since the beginning of the implementation of mandatory telework in March 2020. Of those employees who reported having been to their assigned worksite, 87 percent indicated that they had not observed incorrect mask-wearing, lack of social distancing, non-limited occupancy, or other sanitation issues. Employees generally indicated that they had the appropriate resources to telework and that they had been able to perform all of their job responsibilities remotely.

Survey results also identified opportunities to provide additional communication to Agency employees. Most commonly, respondents expressed a desire for clarity on workplace safety procedures and requirements, including those related to mask-wearing and social distancing and reporting potential COVID-19 exposures. Respondents also selected maximizing telework, flexible scheduling, and cleaning and sanitation as important factors when offices reopen.

In April 2021, after the survey was completed, FCA distributed a draft plan for returning to the workplace to agency employees. The draft plan addressed safety protocols for employees across four operating status phases, including—among other things—telework and occupancy limits, travel, mask-wearing, physical distancing, and contact tracing. However, the OIG noted certain subjects where additional detail would be needed to address concerns expressed by survey respondents.

The OIG made one recommendation for corrective action, which was agreed to by FCA.

The [inspection report](#) was issued on June 9, 2021.

Recommendations Made During the Reporting Period

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

Table 1

Report	Recommendation
The Office of Secondary Market Oversight's Examination Policies and Procedures	1 The Office of Inspector General recommends the Office of Secondary Market Oversight document those parts of the Farm Credit Administration Examination Manual that do not apply to the examination of the Federal Agricultural Mortgage Corporation.
	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.
	3 The Office of Inspector General recommends the Office of Secondary Market Oversight expand the conflict of interest guidance in Directive 3 to require examiners to complete the conflict of interest form before engaging in examination activities.
	4 The Office of Inspector General recommends the Office of Secondary Market Oversight develop internal controls to ensure examiners complete the conflict of interest form according to guidance
Survey of FCA Employees on COVID-19	1 The Office of Inspector General recommends the Office of the Chief Operating Officer distribute further communications to employees to explain: <ul style="list-style-type: none"> • when it is necessary to be physically present during telework operating statuses; • how mask-wearing and other required workplace safety measures differ in Farm Credit Administration space and non-Farm Credit Administration space; • trends used in considering the Agency's operating status; • future remote work arrangements and expectations; • specific procedures for when and whom to contact regarding a suspected or confirmed coronavirus disease 2019 (COVID-19) diagnosis that affects the workplace; • specific procedures for official travel decisions and following Centers for Disease Control and Prevention guidelines after personal travel; • symptom monitoring procedures; and • specific procedures for quarantine and self-isolation after a suspected or confirmed COVID-19 diagnosis or close contact.

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 2021

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 an independent public accounting firm to perform this audit for FY 2021. The OIG is monitoring the work of the firm.

Audit of the Farm Credit Administration's Compliance with the Federal Information Security Modernization Act Fiscal Year 2021

The Federal Information Security Modernization Act of 2014 (FISMA) requires that the OIG annually evaluate FCA's information security program and practices to determine their effectiveness. The OIG has contracted with an independent public accounting firm to conduct the FISMA review for FY 2021. In accordance with guidance issued by OMB and the U.S. Department of Homeland Security, the firm is assessing FCA's performance with respect to 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. The OIG is monitoring the work of the firm.

Inspection of the Farm Credit Administration's Property Management

FCA has a property management program to ensure integrity, accuracy, and effective, timely accountability of personal property as it moves through its lifecycle. The objective of this inspection is to determine if FCA has implemented an adequate process to ensure accuracy in the property management system and adherence to internal policies and procedures.

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; abuse 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 ³	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

The OIG maintains a hotline that allows FCA employees and others to confidentially report potential fraud, waste, abuse, or mismanagement via telephone, email, or fax. The office also accepts complaints by mail and in-person.⁴ Table 3 shows the OIG’s response to complaints received during the reporting period.

Table 3

Action Taken	Number
Investigations opened	0
Closed after review with no further specific investigative action	21
Referred to FCA program manager	4
Referred to other federal, state, or local agency or authority	0
Under review at the end of the reporting period	0
Total	25

³ This metric does not include memoranda memorializing the closure or referral of complaints.

⁴ Due to the COVID-19 pandemic, the OIG has temporarily limited the available methods to make complaints to telephone and email.

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](#).

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.

The Farm Credit Administration's Compliance with the Payment Integrity Information Act for Fiscal Year 2020

Enacted in March 2020, the Payment Integrity Information Act of 2019 (PIIA) updated and replaced predecessor laws requiring agencies to identify and report on programs and activities that may be susceptible to significant improper payments. The PIIA mandates that each OIG annually review its respective agency's improper payments reporting to determine whether it adhered to PIIA requirements and implementing OMB guidance.

The OIG found FCA's improper payments reporting to be compliant with applicable PIIA requirements for FY 2020. Specifically, the Agency published improper payments information in the Agency's most recent Performance and Accountability Report, posted that report to the Agency's website, and conducted statutorily required risk assessments within the previous three years. Because FCA determined all programs and activities to be low-risk and not susceptible to significant improper payments, other PIIA requirements were not applicable to the Agency in FY 2020.

On May 17, 2021, the OIG transmitted [its review](#) to the FCA Board and appropriate oversight bodies as required by the PIIA and OMB guidance.

2021 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 2021 review determined that internal policies and procedures were effective and followed for audits, inspections, and evaluations issued between September 1, 2020, and June 30, 2021. This review noted no systemic issues or weaknesses and therefore made no recommendations.

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 governmentwide. The OIG also participates in orientation trainings 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, the IG provided briefings on OIG activities to majority and minority staff from both the Senate Committee on Agriculture, Nutrition, and Forestry and the House Committee on Agriculture.

Inspector General Community

The OIG is an active member of the IG community, with staff lending their efforts and expertise to the work of various CIGIE committees 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 inspection and evaluation peer review process. This reporting period, OIG personnel presented at a virtual CIGIE town hall on the recently revised CIGIE *Quality Standards for Inspection and Evaluation*, an event that drew approximately 700 participants from across the federal government. As Chair of the I&E Committee, IG Laguarda also served on the CIGIE Executive Council, which assists in governance of CIGIE.

The IG also remained a member of the CIGIE Legislation Committee and 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 IG candidate panel reviews potential IG candidates and makes recommendations to the appropriate appointing authorities—the President or agency head.

In addition to their involvement in the Legislation and I&E Committees, OIG staff participated in the CIGIE Audit Committee, the Small and Unique IG working group, the Council of Counsels to the Inspectors General, the Assistant Inspectors General for Investigations Subcommittee, the Whistleblower Protection Coordinators working group, and the CIGIE Diversity, Equity, and Inclusion working group.

Reviews of Proposed Legislation and Regulations

The OIG reviews existing and proposed legislation and regulations relating to FCA programs and operations. When appropriate, the OIG makes recommendations regarding the impact of such legislation or regulations on economy or efficiency or the prevention and detection of fraud, waste, and abuse. During the reporting period, the OIG reviewed several bills and proposed regulations related to FCA or IG authorities, including legislation intended to bolster IG independence and enhance IGs' subpoena authority. The OIG provided comments on proposed legislation to the CIGIE Legislation Committee.

Internal Operations

The OIG is in continuous pursuit of ways to improve its own operations. During the reporting period, the OIG completed updates to several of its internal policies and procedures, ranging from the OIG's investigations and audit, inspection, and evaluation manuals to directives on professional development and the OIG's surveys of System institutions. As noted above, the OIG also revised its strategic plan to, among other things, reflect the ongoing COVID-19 pandemic and make OIG performance measures more useful and informative. Finally, in accordance with the OIG's internal enterprise risk management program, the OIG in April revised its risk profile to ensure its continued relevance and effectiveness.

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 GAO *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 may 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.

The FCA OIG's audit function was not subject to peer review during the reporting period. The most recent peer review was completed by the National Endowment for the Humanities OIG on September 13, 2019. The FCA OIG received a rating of *pass* and the [final report](#) made no recommendations for corrective action.

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

Inspection and Evaluation

Under guidance initially adopted by CIGIE in January 2017, each OIG performing inspections or evaluations in accordance with the CIGIE *Quality Standards for Inspection and Evaluation* is required to undergo an external peer review every three years. During the first three-year cycle, peer review reports did not include an overall rating (such as *pass*, *fail*, *compliant*, or *non-compliant*), but included a conclusion as to whether the reviewed OIG adhered to specific CIGIE standards and the OIG's internal policies and procedures for inspection and evaluation work.

The FCA OIG's inspection and evaluation function was not subject to peer review during the reporting period. The most recent peer review was completed by a team composed of personnel from the U.S. Equal Employment Opportunity Commission and U.S. Department of the Treasury OIGs on December 17, 2019. The [final report](#) concluded that FCA OIG inspection and evaluation policies met all standards addressed and found that the OIG reports reviewed adhered to standards and the OIG's internal policies and procedures. The report 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.

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	
The Office of Secondary Market Oversight's Examination Policies and Procedures	\$0	\$0	\$0
Survey of Farm Credit Administration Employees on COVID-19	\$0	\$0	\$0
Total	\$0	\$0	\$0

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

Requirement	#	Questioned Costs	Unsupported Costs
(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 recommendations that were agreed to by management		\$0	\$0
(ii) the dollar value of recommendations that were not agreed to by management		\$0	\$0
(D) Reports for which no management decision has been made by the end of the reporting period	0	\$0	\$0

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

Table 6

Requirement	#	Unsupported Costs
(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, 2021, for which there were outstanding unimplemented recommendations as of September 30, 2021, 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
Total:	1	\$0

Table 8 identifies recommendations made during previous reporting periods for which corrective action had not been completed as of September 30, 2021. 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 following is an index to IG Act reporting requirements.

Section	Description	Page
4(a)(2)	Review of legislation and regulations	16
5(a)(1)	Significant problems, abuses, and deficiencies	7-9
5(a)(2)	Recommendations for corrective action	9-10
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	12
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	7-9
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	12
5(a)(18)	Metrics for developing investigative statistics	12
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 2008.⁵

⁵ 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 inefficient and wasteful practices, fraud, 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**

Fax: (703) 883-4059

Email: 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>.