



FCA Board Meeting December 2023

Tab 3

Semi-Annual Report on Office of Examination Operations December 14, 2023

Dan Fennewald, Deputy Director
Office of Examination

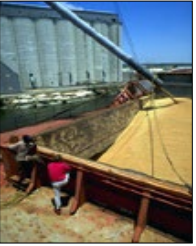




OE Operations Agenda Topics

► Fiscal Year 2023 Operating Plan Objectives

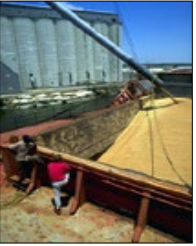
- Risk Supervision and Examination Activities
- Public Mission
- Operational Efficiency and Effectiveness
- Human Capital





Risk Supervision & Examination

- ▶ Conducted **onsite** examination and/or oversight activities at all funding banks, 51 associations (74%), and 5 other entities
- ▶ Issued 48 reports of examination, 39 interim activity letters, and 70 FIRS Letters
- ▶ Maintained a higher level of supervisory oversight at four System institutions
- ▶ Issued examination guidance

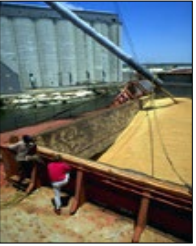




Risk Supervision & Examination (continued)

- ▶ National Oversight Plan Focus Areas
 - Risk management practices in an uncertain environment
 - Phaseout of the London Interbank Offered Rate
 - Current Expected Credit Losses (CECL) implementation
 - Standards of Conduct

- ▶ Completed all 5 systemic risk strategies and 5 institution risk strategies





Public Mission

- ▶ Completed all public mission strategies
 - Implemented the qualitative portion of the Young, Beginning, and Small Farmers (YBS) Programs rating system
 - Worked with ODAE and Systems institutions to improve YBS data quality
 - Issued a memo clarifying our expectations for internal audit programs at certain low-risk institutions
 - Provided additional guidance to examiners on differential expectations for smaller associations with a lower risk profile
 - Met with System's Small Association workgroup





Operational Efficiency and Effectiveness

- ▶ Completed all strategies related to examination tools, operational processes, and the FCS Loan Database
 - Made enhancements to the EDGe application and reports
 - Continued the transition to PowerBI generated reports
 - Developed the Risk Control Matrix for OE OMB A-123 audits
 - Continued to assess and improve data reliability and develop new reports





Human Capital

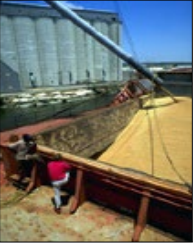
- ▶ Completed all strategies related to training, development, recruitment, retention, and knowledge transfer
 - Hired 15 associate examiners, 3 external commissioned examiners, 6 technical specialists, and 1 administrative assistant
 - Attrition levels declined to 8 percent compared to 17 percent last year
 - OE Conference held in August 2023





Human Capital (continued)

- ▶ We remain below optimal targets for total staff and commissioned examiners



Total OE Staff

Total OE Staff	Planned	Actual	Variance
Beginning FY 2023	179	173	(6)
Attrition Retirements	(15)	(13)	2
Hirings	16	25	9
Ending FY 2023	180	185	5

Commissioned Examiners

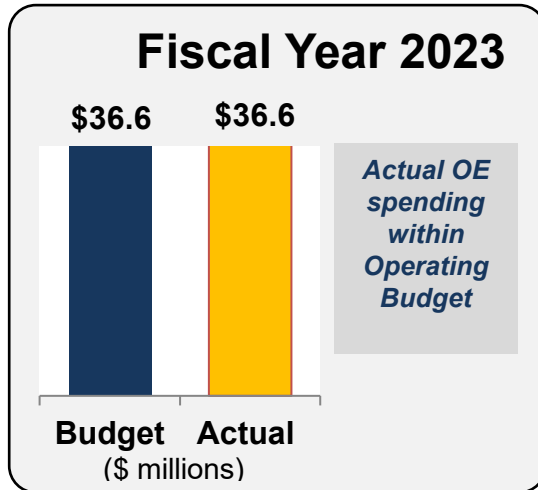
Commissioned Examiners	Planned	Actual	Variance
Beginning FY 2023	87	84	(3)
Attrition Retirements	(7)	(8)	(1)
Hirings	2	3	1
Newly Commissioned	7	2	(5)
Ending FY 2023	89	81	(8)



OE Budget Results

► Fiscal Year 2023

- Actual expenses were in line with net budget with return to normalized travel after the first quarter
- Full Time Equivalents (FTEs) slightly under budget



FTEs	
◆ Budgeted Full Year FTEs	177.8
◆ Actual Full Year FTEs	177.2
Budget Variance	-0.6



Summary

- ▶ Effectively conducted examination and oversight activities
- ▶ Completed 2023 Operating Plan objectives
- ▶ Focused on ensuring OE has sufficient highly skilled staff to accomplish our mission
- ▶ Actively managed our budget as we returned to normalized travel





Discussion



THANK YOU