Farm Credit Administration

Office of Inspector General

Inspection Report

Farm Credit Administration Office of Examination's Quality Assurance Program

I-26-01

July 30, 2026

FCAOIG

Farm Credit Administration
Office of Inspector General

FCA OIG
Farm Credit Administration
Office of Inspector General

July 30, 2026

The Honorable Jeffery S. Hall, Board Chairman
The Honorable Glen R. Smith, Board Member
Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102-5090

Dear Board Chairman Hall and Board Member Smith:

The Office of Inspector General (OIG) completed an inspection, *Farm Credit Administration Office of Examination's Quality Assurance Program* (I-26-01). The objective of this inspection was to determine whether the Farm Credit Administration's (FCA or Agency) Office of Examination (OE) had designed and implemented an effective quality assurance (QA) program.

During our inspection, we found OE designed and implemented an effective QA program. The program included policies and procedures; recurring reporting on goals, objectives, and OE requirements; QA reviews to verify evidence and completion of required steps; and utilization of business intelligence tools to monitor examination data. We also identified opportunities to improve the effectiveness of certain QA processes. Specifically, we found elements of the QA review process were not documented and could not be verified. We also identified instances where QA findings were not fully resolved and noted areas where the QA program could benefit from streamlined processes.

We made four recommendations to improve OE's QA processes. The OIG recommended the Agency document steps completed and applicable exceptions in QA work product reviews and strengthen controls to ensure findings in QA work product reviews are fully addressed. We also recommended OE streamline existing checklists and monitoring tools and conduct an analysis on opportunities to automate manual processes. FCA management agreed with, and provided responsive corrective actions for, all recommendations made in the report.

We appreciate the courtesies and professionalism extended by FCA to our staff during the inspection. If you have any questions about this inspection, we would be pleased to meet with you at your convenience.

Respectfully,

Sonya K. Cerne
Assistant Inspector General for Audits, Inspections, and Evaluations

EXECUTIVE SUMMARY

Farm Credit Administration Office of Examination's Quality Assurance Program

Report No. I-26-01 July 30, 2026

Why We Performed This Inspection

The Farm Credit Administration's (FCA or Agency) mission is to ensure that all Farm Credit System (System) institutions are safe, sound, and dependable sources of credit and related services. To fulfill its mandates and supervision responsibilities, FCA maintains a risk-based examination program through its Office of Examination (OE). OE is responsible for the examination and oversight of System institutions, including associations, banks, and service corporations.

An essential component of OE's examination program is its quality assurance (QA) program. The QA program provides reasonable assurance that the guidance and processes necessary to achieve mission related objectives are properly implemented and operating as intended. The QA program also helps ensure that internal and external communications are well written and adequately supported in accordance with the OE's objectives and standards.

Given OE's critical role in advancing the Agency's mission, we conducted this inspection to determine whether FCA's OE has designed and implemented an effective QA program.

What We Found

We found that FCA designed and implemented an effective QA program. The program incorporates policies and procedures, recurring reporting, and reviews of examination work products to support OE's mission and objectives. In addition, OE recently implemented substantial changes and improvements to the QA program.

However, we identified opportunities to further strengthen the effectiveness of certain QA processes. Our test work showed that some elements of the QA review process were not consistently documented and could not be verified. We also identified instances where QA findings were not fully resolved and implemented. Lastly, we noted areas where the QA program could benefit from streamlined processes and control activities.

Several causes contributed to the areas we identified as opportunities for improvement. OE Directive 9, *Quality Assurance*, outlined a QA Examination Review Checklist (QA checklist). However, completed activities were not always documented. In addition, we found items in the QA checklist are verified and documented through other processes and have potential for additional efficiencies. Lastly, system limitations and processes to clear reports with unresolved QA comments contributed to findings in our review. Given the structural changes in the QA program, successes in establishing automated tools, and the timing of QA's Statutory Compliance Date Checklist review project, there are opportunities to assess and improve QA processes.

Recommendations

We issued four recommendations to improve OE's QA processes. We recommended that OE document steps completed and exceptions in work product reviews and ensure QA findings are fully addressed. We also recommended streamlining existing checklists and monitoring tools and conducting an analysis on opportunities to automate manual processes.

Agency Response

Management agreed with, and provided responsive corrective actions for, all recommendations made in the report. OIG finds the actions responsive to our recommendations.

TABLE OF CONTENTS

BACKGROUND

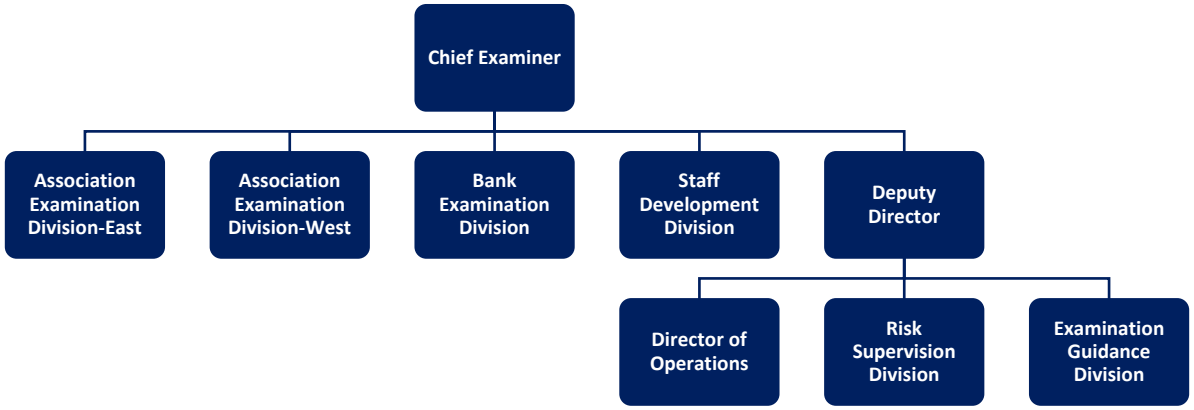
Farm Credit Administration

The Farm Credit Administration (FCA or Agency) is a federal agency tasked with regulating and supervising the Farm Credit System (FCS or System). FCA's primary mission is to ensure that all institutions within the System are safe, sound, and dependable sources of credit and related services for creditworthy and eligible persons in agriculture and rural America. The Farm Credit Act of 1971, as amended, requires examination of each System institution by FCA at such times as the FCA Board may determine, but no less than once during each 18-month period.[1]

To fulfill its mandates and supervision responsibilities, FCA maintains a risk-based examination program through its Office of Examination (OE). OE is responsible for the examination and oversight of System institutions, including associations, banks, and service corporations.[2] OE's examination work products serve as a primary communication tool with System institutions, and assuring the quality of these products supports OE's core mission.

Multiple OE divisions perform examination work. The Association Examination Division (AED)-East and AED-West conduct examinations of each FCS association. The Bank Examination Division (BED) primarily includes technical specialists responsible for examining System banks, service corporations, and the Federal Farm Credit Banks Funding Corporation. The Examination Guidance Division (EGD) provides examination guidance, tools, data, and reporting to assist with examination activities and carries out OE's Quality Assurance (QA) function.[3]

Office of Examination Organizational Chart



[1] Different requirements exist for the Federal Agricultural Mortgage Corporation, which is examined and supervised by FCA's Office of Secondary Market Oversight.
[2] As of the beginning of 2026, OE had examination responsibility for 67 entities.
[3] As of June 2026, OE had an Acting Chief Examiner and Acting Deputy Director.

Office of Examination's Quality Assurance Program

OE established a QA program to provide reasonable assurance that adequate guidance and processes to achieve mission related objectives are implemented and working as intended. The QA program also assists in ensuring internal and external communications are well written and adequately supported in accordance with the OE's objectives and standards. While each OE division director has discretion to structure examination controls and processes to address the risks and needs of their division, the overarching framework of the QA program is managed by the Director of EGD. The QA framework is outlined in OE Directive 9, *Quality Assurance*.

Quality Assurance Framework

Internal Reviews	Work Product Reviews	Guidance Reviews	OE Internal Control and Assurance System
Perform independent assessments of examination operations to determine the effectiveness of operational guidance or progress toward implementing initiatives.	**Review work products prior to issuance to assure analysis and communications appropriately address OE focus areas, emerging risks, and pertinent safety and soundness and regulatory issues.**	**Coordinate and assure the adequacy of operational guidance.**	**Support the internal control documentation and reviews described in OE Directive 2, *Internal Control and Assurance System*.**

The QA team develops an annual plan describing objectives, responsibilities, and deliverables of the program. The plan incorporates a schedule of monthly QA activities, including reviewing examination activities and developing reports for management. The plan also describes ongoing QA monitoring activities to follow up on examination tasks and milestones.

Organizational Structure

In Fiscal Year (FY) 2024, OE's QA program underwent structural changes. QA programs within AED and BED were consolidated into one program within EGD. FY 2025 was the first full year for the consolidated QA program, and EGD QA began reviewing all Reports of Examination and Activity Letters[4] beginning with those as of June 30, 2024. In addition, OE staffed the consolidated QA program within EGD with one full-time QA examiner supported by rotational examiners. Rotational QA examiners are commissioned examiners selected to participate in two-year rotational opportunities dedicating between 50 and 75 percent of their time to QA functions. The FY 2026 QA Plan describes program staffing including three rotational examiners. With one rotation ending in September 2026, OE announced a QA examiner opportunity beginning in FY 2027.

[4] A Report of Examination is issued after the statutory compliance date upon completion of required oversight and examination activities. An Activity Letter is used to communicate interim examination activities throughout the statutory compliance period or horizontal examination activity results.

To support comprehensive reviews, the QA program may also coordinate peer reviews.[5] While a goal of the consolidated QA program was to decrease reliance on such reviews, they are available to ensure an independent QA review is completed for all examination products. Overall, the EGD Director ensures that QA assigned staff have appropriate skills, time, and independence to complete assigned tasks.

Policies and Procedures

OE Directive 9, *Quality Assurance*, is the primary policy describing the QA program. The directive communicates expectations and responsibilities for OE's EGD, divisions, and employees. In addition, OE developed EGD QA Procedures describing reviews and reporting and steps to complete each item.

Other OE directives applicable to the QA program and processes include:

- OE Directive 2, *Internal Control and Assurance System* (June 2023);
- OE Directive 16, *Examination Quality and Controls* (March 2025);
- OE Directive 20, *Documentation and Referencing Standards* (March 2025);
- OE Directive 22, *Monitoring* (March 2025);
- OE Directive 31, *Institutional Examination Planning* (March 2025);
- OE Directive 32, *Reporting Examination Results* (March 2025); and
- OE Directive 33, *Communicating with FCS Institutions* (March 2025).

Quality Assurance Reviews of Examination Work Products

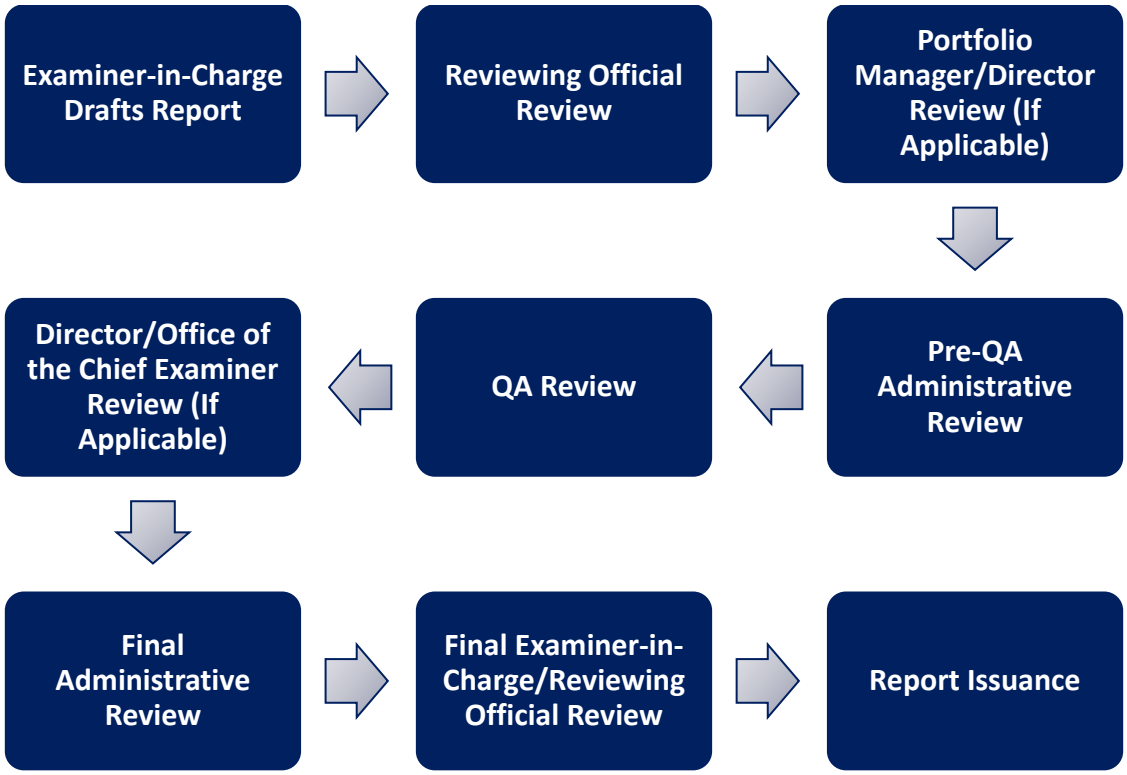
Work product reviews are a primary QA function to provide assurance that external communications meet minimum OE and Agency standards and comply with statutory requirements. The FY 2025 and FY 2026 QA plans state that "Prior to issuance, QA examiners review and evaluate work products for all institutions (AED and BED portfolios)." QA examiners evaluate factual accuracy, overall quality and readability, and the adequacy of proposed corrective actions.

The QA review verifies information in reports to supporting documentation. OE staff develop and document examination workpapers with supporting analysis and sources in Enterprise Documentation and Guidance (EDGe) applications. The examination team develops an Examination Workprogram in EDGe to document each statutory compliance date examination. The Examination Workprogram is reviewed, approved, and locked as part of completing each Report of Examination. EDGe is also used to document reports and key communications for each examination activity. Feedback and clearance from the QA examiner are documented through report versioning published in EDGe.

[5] Peer reviews are QA reviews of examination products by commissioned examiners outside of the QA team. Peer reviewers must not be assigned to the examination activity being reviewed or report to the assigned reviewing official or portfolio manager for the examination activity being reviewed.

OE Directive 9 describes the process generally utilized by QA examiners for Reports of Examination and Activity Letters and includes a QA Examination Review Checklist (QA checklist). This independent assessment is one of many reviews designed to help manage examination risk and develop high quality products. OE Directive 16, *Examination Quality and Controls*, describes controls over work products, including the workflow for reports.

Report of Examination and Activity Letter Workflow



Prior Office of Inspector General Reports Related to the Office of Examination

The Office of Inspector General (OIG) previously issued the following reports related to OE programs that relate to the objective of this review:

- FCA OIG completed an audit, ***Farm Credit Administration's Examiner Staffing Program***, on January 30, 2023. The audit's objective was to evaluate FCA's examination staffing processes. The audit identified opportunities to improve examiner recruiting, scheduling, and staffing processes. Seven recommendations were made in the report. All recommendations were closed by August 2024.
- FCA OIG completed an evaluation, ***Farm Credit Administration's Office of Examination Structure and Organization Benchmarking Evaluation***, on March 20, 2019. The objective of the evaluation was to compare FCA's examiner career structure and organization within OE to other federal financial regulators. The report did not contain recommendations.

INSPECTION RESULTS

During our inspection, we found that OE designed and implemented an effective QA program. We found that OE:

- Established QA policies and procedures describing processes, requirements, and review activities;
- Developed an annual QA plan and corresponding activities report summarizing achievement of goals and objectives;
- Issued recurring reporting on examination activities and adherence to OE requirements, including quarterly examination compliance reports, quarterly performance measure reporting, and annual examination certifications;
- Required a QA review for each Report of Examination and Activity Letter to verify supporting evidence and completion of required steps and approvals;
- Utilized business intelligence tools to monitor key metrics and examination data and inform QA monitoring; and
- Designated full-time and rotational QA staff with appropriate skills and resources to provide independent reviews of OE work products.

We also identified opportunities to improve the effectiveness of certain QA processes. Our test work found elements of the QA review process were not documented and could not be verified. We also identified instances where QA findings were not fully resolved and implemented. Lastly, we noted areas where the QA program could benefit from streamlined processes and control activities.

Work Product Reviews

QA work product reviews aim to ensure analysis and communications appropriately address OE focus areas, emerging risks, and pertinent safety and soundness and regulatory issues. Prior to issuance, QA examiners evaluate work products for all institutions and provide feedback to the exam team. OE Directive 9 incorporates a QA checklist to guide reviews of Reports of Examination and Activity Letters. The QA checklist includes the following:

Prior to beginning the review, the QA examiner will confirm the following items:
➢ All reviews and approvals by the reviewing official, portfolio manager, division director, Risk Supervision Division, Office of the Chief Examiner, etc. were completed and documented as required by the office and/or division procedure.
➢ An administrative review was completed immediately prior to the QA review, as required by OE Directive 16.
➢ The Examination Workprogram was marked approved by the reviewing official, as required by OE Directive 16 and OE Directive 20.

➢ Key examination meetings and communications were documented in the communications library, as required by OE Directive 31 and OE Directive 33. ○ Advance Letter ○ Pre-Exam Meeting ○ Entrance Conference ○ Exit Conference
When reviewing work products, the QA examiner will focus on the following:
➢ Determine if the tone and persuasiveness of Reports of Examination and Activity Letters are consistent with the institution's risk profile and severity of findings.
➢ Confirm that language used in reports and letters aligns with language associated with intended Financial Institution Rating System (FIRS) ratings.
➢ Determine if workpaper documentation adequately supports examination findings and conclusions in accordance with OE Directive 20. ○ All numbers, dates, and negative findings must be referenced. ○ Positive findings must be supported through analysis and documentation.
➢ Ensure use of all elements of a finding are clearly defined (i.e., condition, criteria, cause, effect, and management response) when developing a negative finding in accordance with OE Directive 32.
➢ Ensure findings and conclusions related to corrective actions are documented and supported by source documented in the Corrective Action Tracking list in accordance with OE Directive 20.
➢ Determine if Reports of Examination include the required elements listed in OE Directive 32.
➢ Utilize computerized editing to identify areas for improvement in writing style.
After issuance, the QA team will monitor the following end of examination tasks:
➢ Reports of Examination, Activity Letters, and FIRS rating letters must be filed in the EDGe archive reports library per OE Directive 32.
➢ The Examination Workprogram must be locked within 10 days of Report of Examination issuance per OE Directive 16.
➢ Matters requiring attention must be entered in the EDGe Corrective Action Tracking list within 30 days of issuance per OE Directive 32.
➢ The meeting with the institution board to discuss issued Reports of Examination must be documented in the EDGe communications list per OE Directive 33.
➢ Report of Examination Certification Statements must be filed in the EDGe communications list per OE Directive 32.

While OE Directive 9 outlines the QA checklist, examination files do not include completed checklists for QA reviews. QA personnel stated it is used more as a tool or guide for the QA examiners. Therefore, to test the QA process, we reviewed documentation available in OE examination files.

Testing of Quality Assurance Reviews

To determine whether OE followed the outlined QA processes and verify steps completed, we judgmentally sampled Reports of Examination and Activity Letters. Based on information in OE's archived reports library in EDGe, 158 Reports of Examination and Activity Letters were issued from

January 1, 2024, through December 31, 2025. We sampled 32 reports, including 19 Reports of Examination and 13 Activity Letters. For the 32 reports in our sample, we selected items from the QA checklist, including reviews and approvals, examination communication, elements of reporting, and post-issuance steps. We reviewed documentation for sampled reports in EDGe and the Statutory Compliance Date Checklist (SCD checklist) database (see below).

Reviews and Approvals

In our first set of testing, we reviewed QA examiner tasks related to reviews and approvals outlined in the QA checklist. We verified, for each sampled report, that the EDGe Examination Workprogram was approved. We also verified that administrative personnel, the reviewing official, and the portfolio manager completed and documented reviews in the report versioning system where required by procedures.

We noted the following exceptions in our sample:

- For one Activity Letter, QA review completion could not be verified. QA personnel stated that the QA review for this Activity Letter was completed in minor report versioning and a major version was not published, leaving no documentation evidence.
- For three Activity Letters, references to supporting workpapers were not included in the QA version of the report. OE procedures require all negative findings, numbers, and dates included in a Report of Examination or Activity Letter to be referenced to supporting workpapers with source documents. QA examiners verify the completion and accuracy of references during their review. QA personnel reported that the identified Activity Letters were limited to a single examination procedure, so staff relied on knowledge of where the work resided and did not add references.
- For one Report of Examination and one Activity Letter, QA comments were not fully addressed. In one report, the QA examiner flagged a transposed number in a Report of Examination chart that the examination team agreed to revise. However, the QA examiner cleared the report without closing the comment, and the incorrect number was included in the issued report. In the Activity Letter, the QA examiner identified an additional, clarifying citation that needed to be included in a supporting workpaper and cleared the report. Ultimately, the additional citation was not incorporated in the Examination Workprogram.
- For one Activity Letter, a QA review was completed and documented in the report versioning, but the reviewer did not document clearance of identified comments.
- For one Activity Letter, the report versioning noted it was ready for Risk Supervision Division review, but that review was not documented in the file. QA personnel later provided an email reflecting Risk Supervision Division review and clearance, but the only record is the email chain.

Of note, some of the items found in our testing occurred before the QA program restructuring in OE during FY 2024.

Examination Communications

We tested the examination communication requirements in the QA checklist by reviewing the EDGe communications libraries for documentation of the advance letter, pre-exam meeting, entrance conference, and exit conference, in accordance with the QA checklist. Our review identified missing required documents for reports in our sample.

OE Directive 31, *Institutional Examination Planning*, and OE Directive 33, *Communicating with FCS Institutions*, define key communications by the examination team as follows:

- Advance letters are issued to the institution before conducting major examination activities. The letter includes logistical information, a request for information and documents, and an outline of examination focus areas.
- Pre-exam meetings are conducted to discuss logistics, assignments, guidance, and other relevant items with the examination team.
- Entrance conferences are conducted with the institution before the examination activity begins to review the examination scope and purpose, answer questions, review the examination work schedule, and schedule interviews.
- Exit conferences are conducted with the institution at the end of each significant examination activity to ensure factual accuracy, communicate findings and conclusions, and obtain management's response to causal factors.

For the 19 Reports of Examination in our sample of 32 reports, we identified one report that did not include an advance letter, which was noted in the QA review documented in the project file. We also identified entrance conferences for two additional reports that were documented in the communications library in EDGe without any supporting information (i.e., participants and discussion points).

For the 13 Activity Letters in our sample, we could not verify various examination communication items. Specifically, we did not identify documentation of two advance letters, 10 pre-exam meetings, five entrance conferences, and two exit conferences across all Activity Letters reviewed. Agency personnel stated a communication in the QA checklist may not be required for certain types of interim activities. However, QA policies and procedures do not differentiate communication item requirements for the various types of reviews.

Reporting Elements and Post-Issuance Items

We also tested completion and documentation of reporting and post-issuance items. Each report included executive summary, scope, and confidentiality elements, where applicable. We also noted that Examination Workprograms were locked and matters requiring attention were entered in OE's corrective action tracking system, where applicable. Because OE completes certification statements[6] for Reports of Examination, we only reviewed this item for the 19 applicable reports in our sample. We did not identify a certification statement for one report in our sample. QA

[6] Certification statements are signed by all directors to acknowledge their review of the Report of Examination.

personnel stated that a certification statement is historically not collected for this institution given its unique relationship to FCA. No other exceptions were noted.

Required Timeframes

Lastly, we reviewed required timeframes monitored through OE's QA process. We verified the following for our sample:

- Approval of the Examination Workprogram prior to report issuance for Reports of Examination;[7]
- Locking the Examination Workprogram within 10 days of report issuance for Reports of Examination;[8] and
- Entry of matters requiring attention in the Corrective Action Tracking list in EDGe within 30 days after report issuance.

Generally, timeframes were followed for reports in our sample. For the 19 Reports of Examination in our sample, one Examination Workprogram was approved 34 days after report issuance. In addition, 6 of the 19 Examination Workprograms we tested were locked more than 10 days after report issuance; however, Examination Workprograms for these six reports were locked between 11 and 34 days after report issuance. Of the 32 sampled Reports of Examination and Activity Letters, 21 contained matters requiring attention. Of those, four were added in the Corrective Action Tracking list more than 30 days after report issuance.

Statutory Compliance Date Checklists

The SCD checklist is a detailed cross-reference for OE's examination activities. It lists the minimum tasks required to complete statutory compliance date examinations in accordance with OE directives. OE procedures require examiners-in-charge and reviewing officials to complete the checklist for each Report of Examination, with the checklist housed in a separate internal database outside EDGe. Contents of the checklist and timeframes for completion vary across OE divisions. AED procedures state checklists will be completed within 90 days of report issuance, and BED procedures stipulate a 60-day timeframe. Each division also uses its own division specific checklist. Each division's checklist contains 35-45 items to be completed during the examination.

The SCD checklist is neither completed nor used during the QA process, but QA monitors and reports quarterly on whether the checklist is completed by the examination team within 90 days of report issuance. Overall, the QA role is to conduct follow-up, monitor, and report on these items, but QA staff do not complete these items.

---

[7] Examination staff may conduct interim examination activities throughout the statutory compliance period and may use Activity Letters to communicate examination results. In addition, Activity Letters may be used to report horizontal examination activity results to individual institutions. For interim activities, supporting workpapers are documented in the Examination Workprogram. Examination Workprograms are established, approved, and locked as part of the statutory compliance date examination cycle for Reports of Examination. Therefore, required timeframes do not apply, and were not tested, for Activity Letters in our sample.
[8] Id.

We reviewed SCD checklists and whether they were completed within 90 days for the 19 Reports of Examination in our sample. We found that:

- A checklist was completed for each report in our sample;
- For 9 of the 19 Reports of Examination in our sample, the SCD checklist was completed more than 90 days after report issuance. While 6 of the 9 checklists were completed 15 days or less beyond the 90-day timeframe, one was completed 139 days late and another was completed 202 days late; and
- One SCD checklist for a report issued in September 2025 was completed during our review in March 2026. An earlier completion date, November 2025, was noted in the checklist. In addition, the checklist included a question on whether the checklist was completed within 90 days of report issuance, for which the examination team noted "N/A."

Our review of the SCD checklist database found that despite ongoing monitoring and reporting, checklist completion was delayed for checklists in our scope. The SCD checklist database includes information on completion status, statutory compliance date for the applicable Report of Examination, and the last modified date (used to track completion). While the database does not incorporate the issuance date for each report, OE targets report issuance within 60 days of the statutory compliance date. We sampled 57 SCD checklists modified from January 2025 through March 13, 2026. While all but two checklists were marked complete, 29 of the 55 completed checklists were modified more than 150 days after the statutory compliance date, with 16 exceeding 200 days. In addition, one checklist completed during 2025 had a 2021 statutory compliance date and three had 2023 statutory compliance dates.

Process, Plans, and Reporting

We also tested whether QA program processes, plans, and reporting were documented, and we did not identify exceptions. OE documented QA processes in annual plans and EGD QA Procedures during 2024 and 2025. OE Directive 9 states that under the direction and guidance of the EGD Director, a QA plan will be developed each year that is primarily administered and conducted by the senior QA examiner. Within the scope of our review, the QA program issued the FY 2025 and FY 2026 QA plans outlining objectives, responsibilities, and deliverables for operational areas. Each plan included a schedule of activities listing examination, reporting, and internal control activities planned within the QA division for each month of the FY. In addition, summaries of activities and results of the program were issued for FY 2024 and FY 2025. During our scope, QA also completed reporting to inform management and support consistency across examination operations.

Root Causes

OE's QA program provides a key control in conducting examinations in accordance with statutory requirements and Agency policy. The Office of Management and Budget's Circular A-123 *Management's Responsibility for Internal Control*[9] emphasizes the importance of documenting control activities as a means to preserve evidence supporting decisions, record events and systems, and support assessment and monitoring activities. OE allocated resources to the QA

[9] Office of Management and Budget Circular No. A-123, ***Management's Responsibility for Internal Control***, March 2026.

program, provided an independent review function for work products, and revised policies and procedures. However, we identified several root causes that contributed to the areas we identified with opportunities for improvement.

Documenting Work Product Reviews

The QA checklist, outlined in OE Directive 9, identifies specific items to incorporate in QA reviews, but the completed checks were not fully documented. The QA checklist directs QA examiners to review and verify approvals, completion of key communications, report tone and language, support for findings and conclusions, and requirements from OE directives. QA personnel stated that the QA reviewer's clearance of the report serves as documentation that the checklist was completed. While this process captures the reviewer's comments and their resolution, it does not reflect which checklist items were verified, which items were inapplicable, or the rationale for any exceptions.

As an example, QA personnel explained that certain examination communications listed in the QA checklist do not apply to certain interim activities. However, we could not verify that the QA reviewer evaluated and accepted such items. In addition, QA personnel provided an email during our testing that showed a required review was performed but not documented in the report versioning because no changes were provided from the additional review. The project file does not document whether the QA reviewer confirmed completion of this review and that it could not be documented due to technological constraints of established processes. Documenting steps completed in QA work product reviews helps ensure consistency and completeness, regardless of the product being reviewed or the individual conducting the review.

In addition, although QA personnel stated the QA reviewer's clearance of the report is considered the official documentation of the QA checklist, the checklist includes items that are reviewed before and after report issuance. The checklist includes items for the QA examiner to confirm prior to beginning report reviews, focus on when reviewing work products, and monitor after the examination. End of examination tasks are monitored after reports are issued through automated tools and manual tracking that inform recurring QA reporting. While post-issuance reviews address examination requirements in OE directives, they are not addressed in the QA report clearance process.

Streamlining Controls

There are opportunities to streamline the QA review process with existing controls in place.

For example, the QA checklist includes steps to verify:

- Completion and documentation of required reviews and approvals;
- Approval and locking of the Examination Workprogram;
- Completion of key examination meetings;
- Report filing in designated libraries;
- Entry of matters requiring attention in OE's tracking system within 30 days; and
- Completion and filing of a Report of Examination certification statement.

Each of these items is also verified and documented separately in the SCD checklist completed by the examiner-in-charge after the report is issued, but QA personnel stated that the SCD checklist is not utilized or relied upon by the QA team. Specifically, they stated that the SCD checklist serves as a tool in the examination process, not a control activity.

While the SCD checklist is a tool, its completion is a required step that is monitored by QA. Further, unlike the QA checklist, the SCD checklist is documented with comments, links to supporting detail, and explanations for exceptions or items that were not applicable. Streamlining processes could allow QA examiners to independently verify and document completed reviews in the SCD checklist format and not complete additional work in separate systems.

During our inspection, the QA team was reviewing ways to improve the SCD checklist. Officials stated the review is ongoing with the potential to eliminate the SCD checklist. If the SCD checklist is eliminated, the QA checklist could be utilized to document and link support for required examination tasks. The SCD checklist review presents an opportunity for the QA team to streamline controls and checklist documentation, remove redundancies, incorporate independent reviews where they are most beneficial to the process, and potentially integrate technologies that support automation and monitoring activities, as noted below.

System Limitations and Manual Monitoring

Limitations of systems used to document QA reviews and monitoring also present an opportunity to improve the process. QA work product reviews are documented in copies of reports and versioning comments in the EDGe reports library. While this process supports commenting in reports with applicable clearance dates, information is not easily exportable and reportable. QA uses spreadsheets and manual processes to track completion of certain work product review tasks, end of examination tasks, board meetings, and SCD checklists. QA personnel stated that manual tracking is utilized for items that cannot be extracted into established automated tools due to technological constraints.

Planning for and utilizing technologies that support automation will increase both efficiencies and QA's ability to monitor and report on examination activities. Given structural changes in the QA program, successes in establishing automated tools, and the timing of QA's SCD checklist review project, there is an opportunity to assess technological tools to reduce reliance on manual monitoring.

Clearing Quality Assurance Comments

EGD QA procedures incorporate processes to clear a report with unresolved comments. Procedures state that QA's report review may result in open comments requiring a response from the exam team, full clearance with open comments that require some work from the exam team that do not need to be returned to the QA reviewer, and full clearance with resolution of all comments. This process is used because there may be comments where the QA reviewer is indifferent whether action is taken, or they trust that the examination team will take appropriate action. Further, officials stated there are often time constraints, and this process supports timely review and processing. While certain QA comments are discretionary, additional consideration should be given to items that affect report numbers and supporting documentation.

Impact

OE provides one of the most important and crucial functions for the Agency. OE designed the QA program to ensure the examination process is controlled, efficient, and effective. Along with the changes already initiated by OE, additional improvements could streamline review processes and strengthen established controls while supporting initiatives for efficiency and consistency with the consolidated QA function. A wholistic review of QA checks, examination checks, and monitoring activities also provides an opportunity to reduce burden and support automation to enhance QA capabilities going forward. Consideration of areas that pose the most significant risk and timing of reviews will further optimize QA resources and expertise.

Recommendations

To improve OE's QA processes, the Office of Inspector General recommends that:

1. The Office of Examination document steps completed and applicable exceptions in quality assurance work product reviews.
2. The Office of Examination strengthen controls to ensure findings in quality assurance work product reviews are fully addressed.
3. The Office of Examination streamline existing checklists and monitoring tools.
4. The Office of Examination conduct an analysis on opportunities to automate manual monitoring processes.

FCA Response

FCA management agreed with the four recommendations and provided responsive corrective actions. Specifically, management stated they will:

- Clarify language in OE Directive 9 on use of the QA checklist and exceptions within the checklist;
- Expand training of QA examiners and documentation in procedures on when it is appropriate to clear unresolved comments;
- Replace the SCD checklist with a new tool to streamline existing checklists and guide examiners through the required elements of each statutory compliance date examination; and
- Complete an analysis of existing manual processes and evaluate additional opportunities to automate in coordination with the Office of Information Technology.

In addition, management stated they expanded QA procedures to include a new template summary comment for each QA review that will require verifying and documenting completion of QA checklist items. Management estimated the actions would be completed by December 31, 2026.

OIG Response

OIG finds the actions responsive to our recommendations.

The Agency waived an exit conference. Management comments can be found in their entirety in the "Management Comments" section of the report.

MANAGEMENT COMMENTS

Memorandum

Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090
(703) 883-4000

July 17, 2026

To: Sonya Cerne, Assistant Inspector General for Audits, Inspections, and Evaluations

From: Dan Fennewald, Acting Chief Examiner and Director, Office of Examination

Subject: Office of Examination's response to OIG's draft inspection report titled Farm Credit Administration Office of Examination's Quality Assurance Program

The Farm Credit Administration's (FCA) Office of Examination (OE) appreciates the opportunity to respond to the Office of Inspector General's (OIG) draft inspection report titled, *Farm Credit Administration Office of Examination's Quality Assurance Program* dated June 18, 2026. The OIG initiated this inspection to determine whether FCA's OE has designed and implemented an effective Quality Assurance (QA) program.

Management Response to the Recommendations

We are pleased that OIG found OE designed and implemented an effective QA program. We aim to continue to identify ways to improve and refine our program, which recently underwent substantial structural changes. We considered OIG's recommendations and have taken initiative to address certain recommendations prior to the receipt of the report. Additional actions are also planned. Our responses to specific OIG recommendations follow:

OIG's Recommendation #1: The Office of Examination document steps completed and applicable exceptions in quality assurance work product reviews.

- **Management Decision**: Concur
- **Planned Action**: We drafted additional language for inclusion in OE Directive 9 to clarify the use of the checklist and clarify when exceptions apply to certain elements within the checklist.

  We also expanded our QA procedures to include a new template summary comment for each QA review. The new summary comment will require QA examiners to verify and document completion of QA checklist items #1-11. We began implementing these changes with the commencement of our reviews of June 30, 2026, Statutory Compliance Date (SCD) Reports of Examination.
- **Estimated Completion Date**: December 31, 2026

OIG's Recommendation #2: The Office of Examination strengthen controls to ensure findings in quality assurance work product reviews are fully addressed.

- **Management Decision**: Concur
- **Planned Action**: We will expand training of QA examiners and documentation in our procedures regarding when it is appropriate to use discretion to clear comments that are unresolved.
- **Estimated Completion Date**: August 30, 2026

OIG's Recommendation #3: The Office of Examination streamline existing checklists and monitoring tools.

- **Management Decision**: Concur
- **Planned Action**: The QA team prepared a new, proposed tool to replace the existing SCD checklist. With concurrence of the division directors, this new tool streamlines the existing checklists into one OE tool to help guide examiners through the required elements of each SCD examination. The new proposed tool is titled the SCD Examination Navigator.
- **Estimated Completion Date**: August 30, 2026

OIG's Recommendation #4: The Office of Examination conduct an analysis on opportunities to automate manual monitoring processes.

- **Management Decision**: Concur
- **Planned Action**: We will complete an analysis of existing manual processes and evaluate if there are additional opportunities to automate. Specifically, in coordination with the Office of Information Technology, we will analyze if capabilities exist to extract data from the EDGe Communications libraries in future iterations of SharePoint.
- **Estimated Completion Date**: December 31, 2026

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of this inspection was to determine whether FCA's OE has designed and implemented an effective QA program. We performed this inspection at FCA's headquarters in McLean, Virginia, from January 2026 to June 2026.

Scope

The scope of the inspection was limited to OE's QA program from January 1, 2024, through December 31, 2025.

Methodology

We took the following steps to accomplish the objective:

- Identified and reviewed related laws, regulations, and other background information applicable to the objective;
- Identified and reviewed applicable internal FCA policies and procedures;
- Reviewed prior FCA OIG and other external reviews related to the inspection objective;
- Conducted interviews with personnel from OE with QA responsibilities;
- Reviewed the Agency's risk information and internal control review cycle for applicability to the inspection objective;
- Requested and reviewed QA plans, activities reports, examination compliance reports, Reports of Examination excerpt reports, examination certification reports, and performance measure reporting;
- Reviewed qualifications and responsibilities defined for QA personnel;
- Reviewed business intelligence tools utilized for QA monitoring and reporting activities;
- Tested completion and documentation of QA work product reviews. We reviewed information in the reports archive database in EDGe to determine reports issued from January 1, 2024, through December 31, 2025. We filtered and sorted the data based on the type of report and issuance date in the data set. For the 158 Reports of Examination and Activity Letters in our scope, we selected a sample of 32 reports. Because the sample used judgmental factors, it cannot be projected to the entire population. For each report in our sample, we reviewed and verified documentation in EDGe for the following:
    - Report issuance date
    - Examination Workprogram approval
    - Examination Workprogram locked
    - Reviewing Official approval
    - Portfolio Manager approval

- QA approval
- Administrative review
- Advance Letter
- Pre-Exam Meeting
- Entrance Conference
- Exit Conference
- Referenced report
- Executive summary in report
- Scope in report
- Confidentiality Statement in report
- Certification statement
- Matters requiring attention in the Corrective Action Tracking list

- Analyzed completion timeframes for reports in our sample for the following requirements:
  - Examination Workprogram approval prior to report issuance for Reports of Examination;[10]
  - Examination Workprogram locked within 10 days of report issuance for Reports of Examination;[11] and
  - Entry of matters requiring attention in the Corrective Action Tracking list within 30 days of report issuance.
- Analyzed information in the SCD checklist database. For the 19 Reports of Examination in our sample, we determined whether a checklist was in the database, the date of completion for the checklist, and whether the checklist was completed within 90 days of report issuance. We also evaluated information in the database during our scope to determine whether checklists were completed and analyzed the number of days between the statutory compliance date and modified date in the database;
- Verified completion of review activities in the 2025 QA plan schedule of activities. We requested documentation of completed reviews and discussed activities with QA personnel; and
- Tested whether QA reviews followed outlined processes. We selected a judgmental sample of review activities described in EGD QA Procedures. In selecting our sample, we considered the completion timeframe and nature of activities. Because the sample used judgmental factors, it cannot be projected to the entire population. We reviewed five activities conducted in 2025 as follows:
  - SCD checklist review

[10] Interim activities, such as activity letters, are documented as part of the statutory compliance date Examination Workprogram.

[11] The requirement to lock Examination Workprograms applies to statutory compliance date examinations, not activity letters for interim examination activities.

- Loan exam plan review
- Board meeting documentation review
- End of examination tasks review
- FIRS letter status tracking

Quality Standards for Inspection and Evaluation

This inspection was performed in accordance with Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. These standards require that we plan and perform the inspection to obtain sufficient and appropriate evidence that provides a reasonable basis for our findings, conclusions, and recommendations. We assessed internal controls and compliance with laws and regulations to the extent necessary to satisfy the objective. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our inspection. We assessed the information and data collected during the inspection and determined it was sufficiently reliable and valid for use in meeting the inspection objective. We assessed the risk of fraud related to our inspection objective while evaluating evidence and had no matters come to our attention indicating fraud or illegal acts were occurring. Overall, we believe the evidence obtained is appropriate and sufficient to provide a reasonable basis for our findings and conclusions based on the inspection objective.

ACRONYMS

AED	Association Examination Division
BED	Bank Examination Division
EDGe	Enterprise Documentation and Guidance
EGD	Examination Guidance Division
FCA or Agency	Farm Credit Administration
FCS	Farm Credit System
FIRS	Financial Institution Rating System
FY	Fiscal Year
OE	Office of Examination
OIG	Office of Inspector General
QA	Quality Assurance
SCD	Statutory Compliance Date
System	Farm Credit System

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, FCA 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.

The easiest way to report allegations is through our online Web Portal.

You can also report allegations to us by phone and U.S. Mail.

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