

Farm Credit Administration Office of Inspector General



Semiannual Report to Congress

April 1, 2020 – September 30, 2020

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, 2020 – SEPTEMBER 30, 2020

MESSAGE FROM THE INSPECTOR GENERAL

I am pleased to submit our Semiannual Report to Congress, summarizing the activities and accomplishments of the Farm Credit Administration (FCA or Agency) Office of Inspector General (OIG) for April 1, 2020 through September 30, 2020.

While the COVID-19 pandemic continues to impact our everyday lives, the OIG's productivity these last six months remained strong. Teleworking full-time, we have remained diligent in our efforts to provide FCA with objective oversight.

The audit, inspection, and evaluation side of our office was active this reporting period. We concluded an inspection of FCA's response to an independent assessment of fairness and inclusiveness that the Agency contracted for in 2017 and initiated several ongoing audits. We completed a substantive revision of our internal audit, inspection, and evaluation policies that will further enhance the quality of our reports. This period also saw the implementation of a new electronic recommendation follow-up process, which we expect will benefit Agency officials and OIG personnel alike.

Our investigative function was also busy during the reporting period, completing an investigation of alleged whistleblower retaliation. We also undertook an overhaul of our investigative manual, updating our practices to further reflect professional standards and best practices in the Inspector General (IG) community.

In continuing to make outreach a priority, we held four virtual town hall meetings with personnel in FCA's largest office, the Office of Examination. The aim of the meetings was to demystify our office and elicit discussion about what we do, why we do it, and how we do our work. These meetings were well-attended and well-received, and we look forward to continuing and expanding this new outreach initiative.

Our office continued to participate extensively in the IG community during this reporting period. In June, I stepped into the position of Chair of the Council of the Inspectors General on Integrity and Efficiency's Inspection and Evaluation (I&E) Committee. With IG Mark Greenblatt of the Department of the Interior serving as Vice Chair and a multitude of dedicated OIG personnel lending their efforts and knowledge to the Committee and its working groups, I look forward to continuing the good work of former Chair Steve Linick to the benefit of I&E work across the IG community.

Finally, I am excited to report that we have welcomed a new member to the OIG team. Filling a vacant Senior Auditor position, Christopher Coccaro joins our office from the Department of Defense OIG, where he led a team of inspectors and brings with him a wealth of experience and knowledge. With our complete team in place, we look forward to continuing our oversight work at FCA and engaging with all our stakeholders as we continue to face global health and other challenges.



Wendy R. Laguarda
Inspector General



ACRONYMS & ABBREVIATIONS

| | |
|------------------------|--|
| AIGAIE | Assistant Inspector General for Audits, Inspections, and Evaluations |
| Blue Book | <i>Quality Standards for Inspection and Evaluation</i> |
| CIGIE | Council of the Inspectors General on Integrity and Efficiency |
| Farmer Mac | Federal Agricultural Mortgage Corporation |
| FCA (or Agency) | Farm Credit Administration |
| 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 |
| IPERA | Improper Payments Elimination and Recovery Act of 2010 |
| OIG | Office of Inspector General |
| OMB | U.S. Office of Management and Budget |
| Pub. L. | Public Law |
| System | Farm Credit System |
| U.S. | United States |
| U.S.C. | United States Code |
| Yellow Book | <i>Government Auditing Standards</i> |

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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 the end of the reporting period, the System consisted of three farm credit banks, one agricultural credit bank, one federal land credit association and 67 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,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 Chairman of the Board—who is designated by the President and serves in that role until the end of his or her term—also serves as the Agency’s Chief Executive Officer. At present, the Board has 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](#). As outlined below, the strategic plan details the vision, mission, values, goals, and objectives of the OIG in carrying out its responsibilities under the IG Act.

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](#) sets forth several measures against which the OIG assesses its own performance. The following describes some of the OIG’s actions during the FY 2020 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 updated [audit, inspection, and evaluation plan for FYs 2021 and 2022](#).

Complete products in an average time of six months.

The OIG completed four audit, inspection, and evaluation projects in an average time of 185.75 days, slightly over six months (182.5 days).

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

On September 29, 2020, the OIG completed an internal quality assurance review of its audit, inspection, and evaluation functions for FY 2020. The OIG also received an external peer review of its inspection and evaluation function, which concluded on December 17, 2019.

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

The OIG made fourteen recommendations during FY 2020. The OIG tracked the status of those recommendations on an ongoing basis and reported open recommendations to the FCA Board on a monthly basis.

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 and inclusion.

OIG personnel promoted diversity and inclusion through attendance of events and programs organized by FCA special emphasis programs.

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

While it is the OIG investigator’s practice to conduct an initial review of all complaints at the earliest practicable opportunity, the office lacks sufficient data to confirm that complaints received in FY 2020 were evaluated within two business days of receipt in all instances. The OIG has revised its policies regarding the documentation of complaints to ensure that this data is appropriately captured in the future.

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 as appropriate.

Perform regular reviews to ensure investigations are conducted in accordance with quality standards and internal policies and procedures.

The OIG investigations program was subjected to an internal control review, and the IG reviewed the disposition of complaints received on an ongoing basis. Additionally, the report of investigation issued during FY 2020 was subject to supervisory review to ensure adherence to OIG policies and relevant quality standards.

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, during presentations to FCA employees, and through the distribution of posters throughout the Agency.

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

Timely review and comment upon relevant existing or proposed legislation and regulations.

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 decided not to issue surveys after the first quarter of FY 2020 but notified System institutions that the office remained available to hear their concerns about the examination process.

Annually conduct at least four outreach initiatives with employees.

During FY 2020, the OIG conducted outreach to FCA employees through presentations to new employees, the issuance of an intra-agency newsletter, the distribution of posters, and by holding virtual town halls.

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

During FY 2020, the OIG transmitted its Semiannual Reports to Congress to the FCA Board on April 28, 2020 and October 31, 2019, respectively. Accordingly, the latter report was issued 31 days after the end of the reporting period, though within the deadline imposed by the IG Act.

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

The OIG provided virtual briefings to majority and minority staff of the House and Senate agricultural oversight committees during the fiscal year.

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 2020 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 and Counsel provided in-person or virtual briefings to each FCA Board member on a quarterly basis.

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

As discussed in greater detail later in this report, OIG personnel participated extensively in CIGIE committees and work groups throughout FY 2020.

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* (Yellow Book) issued by the U.S. Government Accountability Office (GAO), while inspections and evaluations adhere to the CIGIE *Quality Standards for Inspection and Evaluation* (Blue Book).

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, and statutory requirements. For more information, and to learn about future OIG work, please see the [audit, inspection, and evaluation plan for FYs 2021 and 2022](#).

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 one report and made five recommendations for corrective action during the reporting period. The report is summarized below.

FCA's Implementation Efforts for the 2017-2018 Fairness and Inclusiveness Assessment I-20-01

As the OIG has consistently recognized in its annual [management challenges report](#), FCA's employees are the Agency's most valuable resource. Diversity and inclusion are important aspects of achieving an environment in which FCA employees can reach their full potential and best fulfill the Agency's mission. This principle is recognized and reflected in FCA Board policy and the Agency's strategic plan. FCA's Office of Equal Employment Opportunity and Inclusion manages and directs the Agency's diversity, inclusion, and equal employment opportunity program.

In July 2017, FCA engaged a contractor to identify strengths and challenges in FCA's diversity and inclusion efforts. To develop its assessment, the contractor surveyed employees, reviewed documents and data, interviewed leadership and external stakeholders, and conducted focus groups. The contractor's report noted FCA's commitment to diversity and inclusion and included 15 recommendations and 50 actions that FCA could take to enhance diversity and inclusion efforts at the Agency.

The objective of this inspection was to analyze FCA's implementation of diversity and inclusion efforts, with a scope limited specifically to the contractor's assessment. The OIG found that, while FCA took certain preliminary steps to assess and implement

recommendations in the contractor’s report, the Agency had not established specific plans, milestones, and accountabilities to address the report’s recommendations. An Agency working group was formed to discuss the contractor’s recommendations, but there was no comprehensive plan for addressing the recommendations.

The Agency took a positive step during the inspection and began developing a tracking site to document the Agency’s implementation of recommendations from the assessment. However, the OIG noted that certain elements were missing from the site, including planned action steps, responsible personnel, and target completion dates.

The OIG identified several factors that contributed to implementation challenges. A working group was not established until almost a year after the assessment was completed, and there were no additional meetings or follow-ups to discuss and document implementation efforts. There was also a lack of centralized accountability to oversee recommendations in the assessment, which involved multiple Agency offices and officials. Finally, the Agency experienced changes in several key leadership positions after the assessment report was issued, including the FCA Board Chairman, Chief Operating Officer, and Chief Examiner positions.

The inspection also found that the Agency did not follow its internal procedures when procuring the services of the contractor and that the contract file was missing necessary information. Specifically, the OIG found that contractor requirements were established after the contractor was selected; vendor evaluation forms were not completed until after the contractor was selected; no request for quotes was issued; decisions were not fully supported by documentation in the contract file; and the contract file was missing a vendor proposal and other documentation. Agency personnel noted that the award did not follow the Agency’s normal competitive process because there was an urgency to complete the award. Not following the Agency’s process and documenting conclusions can bring award decisions into question and raise concerns about vendor selection.

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

The [inspection report](#) was issued to the FCA Board on July 29, 2020.

Recommendations Made During the Reporting Period

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

Table 1

| Report | Recommendation |
|--|--|
| FCA’s Implementation Efforts for the 2017-2018 Fairness and Inclusiveness Assessment | 1 We recommend the Office of Equal Employment Opportunity and Inclusion document actions, milestones and accountabilities to address recommendations in the fairness and inclusiveness assessment, including justifications for tabling or not implementing recommendations and actions. |

| Report | Recommendation |
|--|--|
| FCA's Implementation Efforts for the 2017-2018 Fairness and Inclusiveness Assessment <i>(continued)</i> | 2 We recommend the Office of Equal Employment Opportunity and Inclusion document a monitoring plan for updating information in the tracking site through completion or closure of each recommendation and associated action. |
| | 3 We recommend the Office of Equal Employment Opportunity and Inclusion update all employees on the status and current priorities of actions to address recommendations in the assessment. |
| | 4 We recommend the Office of Equal Employment Opportunity and Inclusion brief current FCA leadership on the assessment results, implementation progress, priorities, and monitoring plan. |
| | 5 We recommend the Office of Equal Employment Opportunity and Inclusion, in coordination with the contracting staff, review the contract file for the fairness and inclusiveness assessment and add all available documentation necessary to fully support award decisions and conclusions reached by the evaluation team. |

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 2020

The Accountability of Tax Dollars Act of 2002 requires that FCA annually submit to Congress and the U.S. Office of Management and Budget (OMB) audited financial statements. The OIG has contracted with an independent public accounting firm to perform the audit of FCA's financial statements for FY 2020. 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 2020

The Federal Information Security Modernization Act of 2014 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 this review for FY 2020. 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 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.

Audit of the Farm Credit Administration's Process for Separating Employees

Each year, the Agency loses employees to separations for a variety of reasons, including retirements, transfers, and resignations. Understanding the data relating to separating employees can provide management with useful insight on patterns and trends. It is also important for the process to be efficient and effective to ensure a consistent approach for separating employees. The objective of this audit is to determine whether FCA has an efficient and effective process for separating employees from the Agency.

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

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 | 1 |
| 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 |
|--|-----------|
| Investigation opened | 0 |
| Closed after review without further investigative action | 2 |
| Referred within FCA | 6 |
| Closed as outside of FCA OIG jurisdiction | 5 |
| Under review at the end of the reporting period | 0 |
| Total | 13 |

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

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

Summaries of Investigations

The following are summaries of investigations concluded during the reporting period. Closing memoranda for investigations are also available on the [OIG's online reports page](#).

Investigation #20-01

In February 2020, the OIG received a complaint alleging, among other things, that a senior government employee engaged in whistleblower retaliation. The OIG completed its investigation on May 8, 2020, having determined by a preponderance of the evidence that the allegation of whistleblower retaliation could not be substantiated.

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.

**Farm Credit Administration’s Compliance with
Improper Payment Reporting Requirements for Fiscal Year 2019**

Under the Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012, agencies were required to periodically review their programs and activities to identify and report on those susceptible to significant improper payments. IPERA mandated that each OIG annually review its respective agency’s improper payments reporting to determine whether it adhered to IPERA requirements.

The OIG’s review found FCA’s improper payments reporting to be compliant with IPERA. Specifically, FCA conducted statutorily required risk assessments in FY 2017, determining all programs and activities to be low risk and not susceptible to significant improper payments. Accordingly, the only pertinent reporting requirement applicable to the Agency in FY 2019 was to publish a Performance and Accountability Report, which it did.

On May 15, 2020, the OIG transmitted [its findings](#) to the FCA Board and appropriate oversight bodies in accordance with IPERA and implementing OMB guidance.

**2020 Quality Assurance Review of the
Audit, Inspection, and Evaluation Functions**

In accordance with OIG policy, 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. This review determined that internal policies and procedures were effective and followed for reviews completed during FY 2020 and included nine recommendations for improvement.

**Internal Control Review for the Farm Credit Administration
Office of Inspector General Investigative Function**

In accordance with FCA policy, the OIG conducted an internal control review of the OIG’s investigation function. The review focused on policies and procedures, internal controls, and testing of controls over the investigations program. The review did not identify significant deficiencies or material weaknesses but noted several opportunities to improve the OIG’s investigative function and strengthen controls.

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.

In July, the OIG held the first of four virtual town hall meetings for personnel in the Agency's Office of Examination. Designed to demystify the OIG, these meetings afforded OIG staff an opportunity to reintroduce themselves to Agency personnel who do not regularly interact with the office. Based on the positive reception to this new initiative, the OIG plans to hold similar meetings in the near future.

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. During the reporting period, 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.

IG 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.

In June, IG Laguarda became Chair of the CIGIE Inspection and Evaluation (I&E) Committee. One of CIGIE's standing committees, the I&E Committee maintains professional standards for inspections and evaluations, heads the development of protocols for reviewing cross-agency management issues, and oversees the I&E peer review process. Through this committee, the AIGAI continued to co-lead the working group tasked with revising the CIGIE Blue Book and assumed leadership of the I&E Roundtable.

The IG also served on the CIGIE Legislation Committee, which fosters relationships with Congress, represents the IG community's interests on legislative initiatives, and keeps OIGs apprised of pertinent legislative developments.

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, and the Whistleblower Protection Coordinators working group.

Reviews of Proposed Legislation and Regulations

Pursuant to the IG Act, 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 the Securing Inspector General Independence Act, and several modified system of records notices published by FCA. The OIG provided comments on proposed legislation through the CIGIE Legislation Committee.

Internal Operations

The OIG is in constant pursuit of ways to improve its own operations. During the reporting period, the OIG completed substantial reviews of its policies and procedures for its investigations and audit, inspection, and evaluation functions. With continuous improvement, updates made to the OIG's policies ensure that future oversight products continue to be of the utmost quality and professionalism.

In June 2020, OIG received final approval from the Archivist of the United States for a revised OIG records retention schedule. The product of coordination between the OIG, FCA's records officer, and the National Archives and Records Administration, this revised schedule will allow the OIG to improve upon its records management practices.

The reporting period also saw the continued implementation of the OIG's internal enterprise risk management program, which was first established in March 2020. In accordance with its policy, the OIG revised its risk profile to reflect events of FY 2020, including the COVID-19 pandemic, to ensure its continued relevance and effectiveness. The OIG also communicated the revisions, the program's relationship to the goals of the office, and the importance of the program to all OIG staff.

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 Yellow Book requires any organization conducting audits in accordance with the standards therein 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 Blue Book is required to undergo an external peer review every three years. During the first three-year cycle, peer review reports will not include an overall rating (such as *pass*, *fail*, *compliant*, or *non-compliant*), but will include 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 Blue Book standards addressed and found that the OIG reports reviewed adhered to Blue Book 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 has volunteered to receive a peer review of its investigation function within the next few years. The [most recent peer review](#) of the FCA OIG's investigative program was performed by the Securities and Exchange Commission OIG for the one-year period ending September 30, 2007.

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

Outstanding Recommendations

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

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

APPENDIX II: REPORTS ISSUED

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

Table 4

| Report Title | Dollar Value of Questioned Costs | | Dollar Value of Recommendations that Funds be Put to Better Use |
|--|----------------------------------|-------------|---|
| | Total | Unsupported | |
| FCA's Implementation Efforts for the 2017-2018 Fairness and Inclusiveness Assessment | \$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 |

Table 7 includes summary information regarding audit, inspection, and evaluation reports issued before April 1, 2020 for which there are outstanding unimplemented recommendations, 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 |
|--|--|---|
| FCA’s Criminal Referral Process (September 19, 2019) | 3 | \$0 |
| FCA’s Stress Testing Guidance, and Use of Data and Analytical and Examination Tools (September 19, 2019) | 1 | \$0 |
| OIG 2018 Evaluation of the Farm Credit Administration’s Compliance with the Federal Information Security Modernization Act (October 31, 2018) | 3 | \$0 |
| Total: | 7 | \$0 |

Table 8 identifies recommendations made during previous reporting periods for which corrective action had not been completed as of September 30, 2020. 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 |
|---------------------------------|--|
| FCA’s Criminal Referral Process | 4 We recommend the Office of Information Technology, in conjunction with other Agency offices, reduce storage and visibility of Personally Identifiable Information in criminal referrals. |
| | 5 We recommend the Office of Examination, in conjunction with other applicable offices, analyze whether additional resources are needed to educate System institutions on criminal activity in the System, trends, and other valuable information. |
| | 7 We recommend the Office of Examination, in conjunction with the Office of Data Analytics and Economics and other applicable offices, develop criminal referral statistics. |

| Report | Recommendation |
|--|---|
| FCA's Stress Testing Guidance, and Use of Data and Analytical and Examination Tools | <p>1 The Office of the Chief Operating Officer needs to develop a project plan with milestones to ensure the timely completion of the following tasks related to stress testing:</p> <ul style="list-style-type: none"> • Identify the direction of the FCA with respect to stress testing; • Finalize guidance related to model risk management and stress testing expectations; • Ensure examiners are provided with training on above guidance; • Update examination manual to reflect content included in above guidance; and • Ensure adequate staff expertise in stress testing. |
| OIG 2018 Evaluation of the Farm Credit Administration's Compliance with the Federal Information Security Modernization Act | <p>3 The Office of Information Technology needs to develop and communicate policies and procedures that identify the inventory of personally identifiable information and other sensitive data collected, used, and maintained that require increased protection.</p> |
| | <p>4 The Office of Information Technology needs to formalize policies and procedures for:</p> <ul style="list-style-type: none"> • Encryption of data at rest • Encryption of data in transit • Limitation of transfer to removable media • Sanitization of digital media prior to disposal or reuse. |
| | <p>5 The Office of Information Technology needs to develop policies and procedures related to preventing data exfiltration.</p> |

The following is an index to IG Act reporting requirements.

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| 5(a)(4) | Matters referred to prosecutive authorities | 11 |
| 5(a)(5) | Reports of information or assistance unreasonably refused or not provided | None |
| 5(a)(6) | Audit, inspection, and evaluation reports issued | 16 |
| 5(a)(7) | Summaries of significant reports | 7-8 |
| 5(a)(8) | Management decisions with respect to questioned costs | 19 |
| 5(a)(9) | Management decisions on recommendations that funds be put to better use | 20 |
| 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 | 21 |
| 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 | 16-17 |
| 5(a)(16) | Peer reviews conducted by the FCA OIG | 16-17 |
| 5(a)(17) | Statistical tables for investigations and referrals | 9 |
| 5(a)(18) | Metrics for developing investigative statistics | 9 |
| 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, &
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**Mail: 1501 Farm Credit Drive
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