

FCA Contracted for Professional IT Support Services – Labor Hour Task Orders

A significant portion of OIT’s use of other contractual services includes professional IT support services. OIT uses professional IT contractors to support its staff. From FY 2016 through FY 2018, FCA contracted for professional IT support services that included security operations and software planning and development. We limited the scope of this analysis to purchase orders for professional IT support services exceeding \$100,000 with labor hour task orders related to consulting and professional services. Purchases for software, hardware, maintenance, and training were excluded. During FY 2016 and FY 2017, OIT obligated funds for significant IT professional support services for five contractors. Three of the five contractors represented labor hour task orders, and two of the contractors were fixed price contracts.

There was a significant increase in labor hour task orders from FY 2016 to FY 2017. During FY 2016, labor hour task orders totaled 5,654 hours at a cost of \$616,388. Labor hour task orders increased to \$2,034,729 and 15,619 hours during FY 2017. During FY 2017, \$639,078 of the \$2,034,729 was actually used for those labor hour task orders and the \$1,395,651 balance was carried over for use in FY 2018. As of May 31, 2018, OIT’s FY 2018 Spend Plan did not contain any purchase orders exceeding \$100,000 for consulting and professional services. However, the CIO clarified that although FCA obligated funds for labor hour task orders during FY 2017, the balance of funds not used during FY 2017 were to be used during FY 2018. If there were any funds not used from these task orders, they would be deobligated at the end of FY 2018.

As of August 1, 2018, OIT reported they had a total of 5 contractors performing IT work at FCA. The 5 contractors include a total of 12 contractor staff – 9 full-time and 3 part-time supporting various IT projects, with plans to bring on an additional 10 contractors (9 part-time and 1 full-time staff) in the near future.

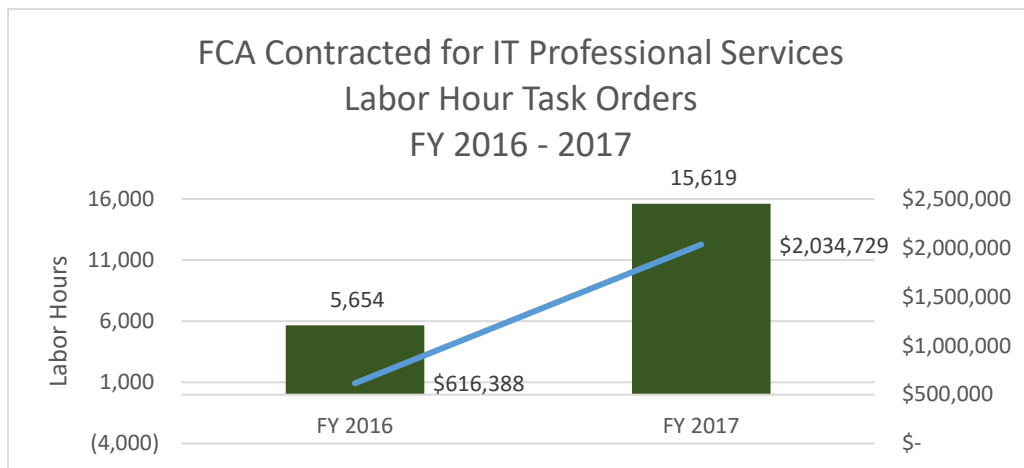


Exhibit 7¹²

¹² During FY 2017, \$639,078 of the \$2,034,729 was actually used for those labor hour task orders and the \$1,395,651 balance was carried over for use in FY 2018.

APPENDIX A: COMPARISON OF FCA'S IT BUDGET TO OTHER FEDERAL FINANCIAL REGULATORS

Comparison of FCA's IT Budget to Other Federal Financial Regulators

We compared FCA's FY 2018 IT budget to other federal financial regulators. Most of the data provided by other federal financial regulators is not readily available to the public. In some cases, our counterparts at the other OIGs assisted us in obtaining the data we needed. In other cases, we used Freedom of Information Act requests to obtain data.¹³ The data provided from CFTC was based on their budget when they were under a CR.

The data we requested or obtained from other federal financial regulators included:

- Total FY 2018 agency budget
- FY 2018 IT budget broken out by object class
- Name of office(s) or division(s) that control the IT budget
- Other significant IT expenses (over 5% of IT budget) not included in the CIO's budget that are budgeted by other offices (such as contracted systems supporting financial, procurement, human resources, etc.)
- FY 2018 FTEs
- FY 2018 IT FTEs

Due to the sensitivity of the other regulators' data and our comparison, we redacted other agency data in this section of the report.

Background of the Federal Financial Regulators

All of the federal financial regulators in our benchmark study are independent agencies. Except for CFTC, which gets an appropriation from Congress, all the other federal financial regulators primarily fund operations from non-appropriated sources. The mission of each federal financial regulator varies with the types of institutions and markets it oversees. Some background information on each benchmarked federal financial regulator follows:

FCA

FCA is an independent Agency governed by a three-person full-time Board. FCA is funded by the institutions it regulates and examines and does not receive any federal appropriation of tax dollars.

Mission: "FCA's mission is to ensure a safe, sound, and dependable source of credit and related services for all creditworthy and eligible persons in agriculture and rural America."

¹³ We were not able to obtain comparable information from the Office of the Comptroller of the Currency (OCC). We note that, unlike the other benchmarked agencies, the OCC is a bureau of the Department of Treasury.

Commodity Futures Trading Commission (CFTC)

CFTC is an independent agency that consists of five commissioners. CFTC receives an appropriation from Congress.

Mission: "The mission of the Commodity Futures Trading Commission (CFTC) is to foster open, transparent, competitive, and financially sound markets. By working to avoid systemic risk, the Commission aims to protect market users and their funds, consumers, and the public from fraud, manipulation, and abusive practices related to derivatives and other products that are subject to the Commodity Exchange Act."

Federal Deposit Insurance Corporation (FDIC)

FDIC is an independent agency with a five-member Board of Directors that is primarily funded from deposit insurance assessments.

Mission: "The Federal Deposit Insurance Corporation (FDIC) is an independent agency created by the Congress to maintain stability and public confidence in the nation's financial system by:

- Insuring deposits.
- Examining and supervising financial institutions for safety and soundness and consumer protection.
- Making large and complex financial institutions resolvable. and
- Managing receiverships."

Federal Housing Finance Agency (FHFA)

FHFA is an independent agency funded by annual assessments from its regulated entities. FHFA's Director serves a five-year term and is confirmed by the Senate.

Mission: "Ensure that the housing government sponsored enterprises operate in a safe and sound manner so that they serve as a reliable source of liquidity and funding for housing finance and community investment."

Board of Governors of the Federal Reserve System (FRB)

The FRB is an independent agency with a seven member governing board. The FRB primarily receives its funding from the interest on government securities that it has acquired through open market operations.

Mission: "The Board's longstanding mission is to foster the stability, integrity, and efficiency of the nation's monetary, financial, and payment systems and to promote optimal economic performance."

National Credit Union Administration (NCUA)

NCUA is an independent agency with a three-member Board. NCUA funds its activities through operating fees levied on all federal credit unions and reimbursements from the Share Insurance Fund.

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Mission: "Provide, through regulation and supervision, a safe and sound credit union system which promotes confidence in the national system of cooperative credit."

U.S. Securities and Exchange Commission (SEC)

The SEC is an independent agency that consists of five presidentially-appointed Commissioners. The SEC's annual appropriation is offset by securities transaction fees.

Mission: "The mission of the SEC is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation."

Offices Responsible for IT at the Federal Financial Regulators

We identified the offices responsible for IT at the other federal financial regulators.

Agency	Name of IT Office or Division
FCA	Office of Information Technology
CFTC	Office of Data and Technology
FDIC	Division of Information Technology Office of the Chief Information Security Officer Chief Information Officer Council
FHFA	Office of Technology and Information Management
FRB	Division of Information Technology
NCUA	Office of Continuity and Security Management Office of Chief Information Officer
SEC	Office of Information Technology

Exhibit 8

Comparison of Agency Budget to IT Budget FY 2018

FCA has the smallest FY 2018 total budget of \$71,200,000 and IT budget of \$10,214,244 of the benchmarked federal financial regulators. We calculated the FY 2018 IT budgets as a percentage of total agency budgets for each of the federal financial regulators. The IT budgets ranged from 8% to 30% of their respective total agency budgets. FCA's IT budget was 14% which is in the middle of the range. However, mission specific requirements that drive IT costs for a specific agency and differences in items included in each agency's IT budget need to be taken into consideration when making a comparison.

The following are notable differences in agency IT budgets:

- The analysis contained in this appendix is limited to FY 2018. It is the evaluator's understanding that it is common practice throughout the federal government to budget for equipment and software in a single year even if the useful life is longer than one year. IT budgets for each of the agencies could vary from year to year based on the timing of significant IT equipment purchases like laptops, servers, and network equipment.
- [REDACTED] IT budgets do not include compensation and benefits. Therefore, [REDACTED] IT budgets would be greater if personnel costs were included.
- [REDACTED] IT budget includes the records management function.
- [REDACTED] budget includes an additional [REDACTED] that is not reflected in other budgets we benchmarked against.
- [REDACTED] IT budget does not represent all IT spending because some IT functions remain decentralized. If [REDACTED] IT budget was centralized, [REDACTED] IT budget would be greater.

Comparison of Agency Budget to IT Budget FY 2018

	IT Budget	Non-IT Budget	Total Agency Budget	IT Budget as a % of Agency Budget	Total FTEs 2018	IT FTEs 2018	% of IT FTE
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
FCA	\$ 10,214,244	\$ 60,985,756	\$ 71,200,000	14%	307	28	9%
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Exhibit 9^{14 15 16}

¹⁴ [REDACTED] personnel data is representative of position (not FTE).

¹⁵ [REDACTED]

¹⁶ [REDACTED] FTE numbers used for the [REDACTED] include both federal staff and contractor users.

IT Budget \$ as a % of Agency Budget

We calculated the IT budgets as a percentage of the total agency budgets for each of the federal financial regulators that provided data. FCA's OIT budget represented 14% of its FY 2018 Agency budget. Other federal financial regulators budgeted between 8% and 30% for IT. The percent FCA budgeted for IT was within 1% of [REDACTED] IT budgets. However, mission specific requirements that drive IT costs for a specific agency and differences in items included in each agency's IT budget need to be taken into consideration when making a comparison. For example, [REDACTED] IT budget had the lowest percentage, but it did not include personnel costs, which would increase [REDACTED] IT budget and the IT percentage of its overall budget. [REDACTED] IT budget would also be higher if it included personnel costs. Additionally, if IT functions were centralized at [REDACTED] IT budget would be higher. However, [REDACTED] IT budget would be less if you removed indirect overhead.

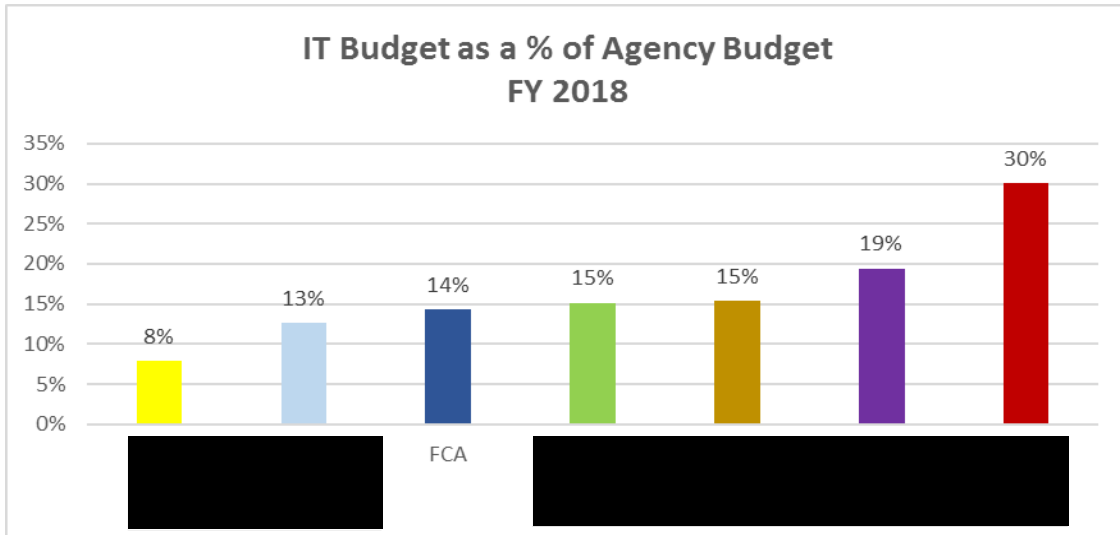


Exhibit 10¹⁷

¹⁷ [REDACTED]

Cost of IT Budget per Agency FTE

We calculated the cost of the IT budgets per agency FTEs for the other federal financial regulators that provided data. FCA's IT budget per Agency FTE is \$33,271. The cost of IT budget per agency FTE for the other federal financial regulators was a low of \$25,058 to a high of \$111,583. FCA's IT budget per Agency FTE was the third lowest of the other federal financial regulators. However, mission specific requirements that drive IT costs for a specific agency and differences in items included in each agency's IT budget need to be taken into consideration when making a comparison. For example, [REDACTED] IT budget had the lowest cost of IT budget per agency FTE at \$25,058, but it did not include personnel costs which would increase [REDACTED] IT budget per agency FTE. [REDACTED] IT budget per FTE would also be higher if it included personnel costs. Additionally, if IT functions were centralized at [REDACTED] IT budget per FTE would be higher. However, [REDACTED] IT budget would be less than \$111,583 per FTE if you removed indirect overhead.

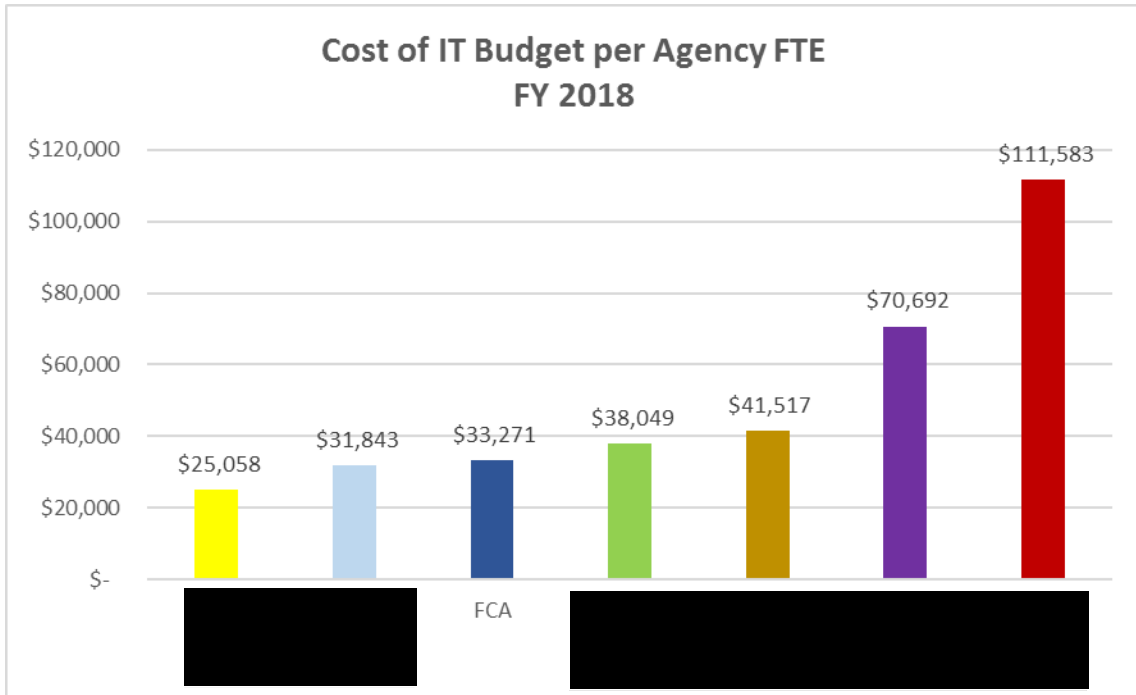


Exhibit 11¹⁸¹⁹²⁰

¹⁸ [REDACTED]
¹⁹ [REDACTED] FTE numbers used for
the [REDACTED] include both federal staff and contractor users.
²⁰ [REDACTED] personnel data is representative of position (not FTE).

Comparison of IT Budget per Agency FTE and as % of Agency Budget

The chart below displays the comparison of each agency's IT budget per agency FTE, and the IT budgets as a percentage of agency budgets. This chart shows a relationship between IT budgets per FTE and as a percentage of the overall agency budgets. However, mission specific requirements that drive IT costs for a specific agency and differences in items included in each agency's IT budget need to be taken into consideration when making a comparison. For example, [REDACTED] IT budget had the lowest percentage and IT budget per agency FTE, but it did not include personnel costs that would increase [REDACTED] IT budget. [REDACTED] IT budget percent and IT cost per FTE would also be higher if it included personnel costs. Additionally, if IT functions were centralized at [REDACTED] IT budget would be higher. However, [REDACTED] IT budget would be less if you removed indirect overhead.

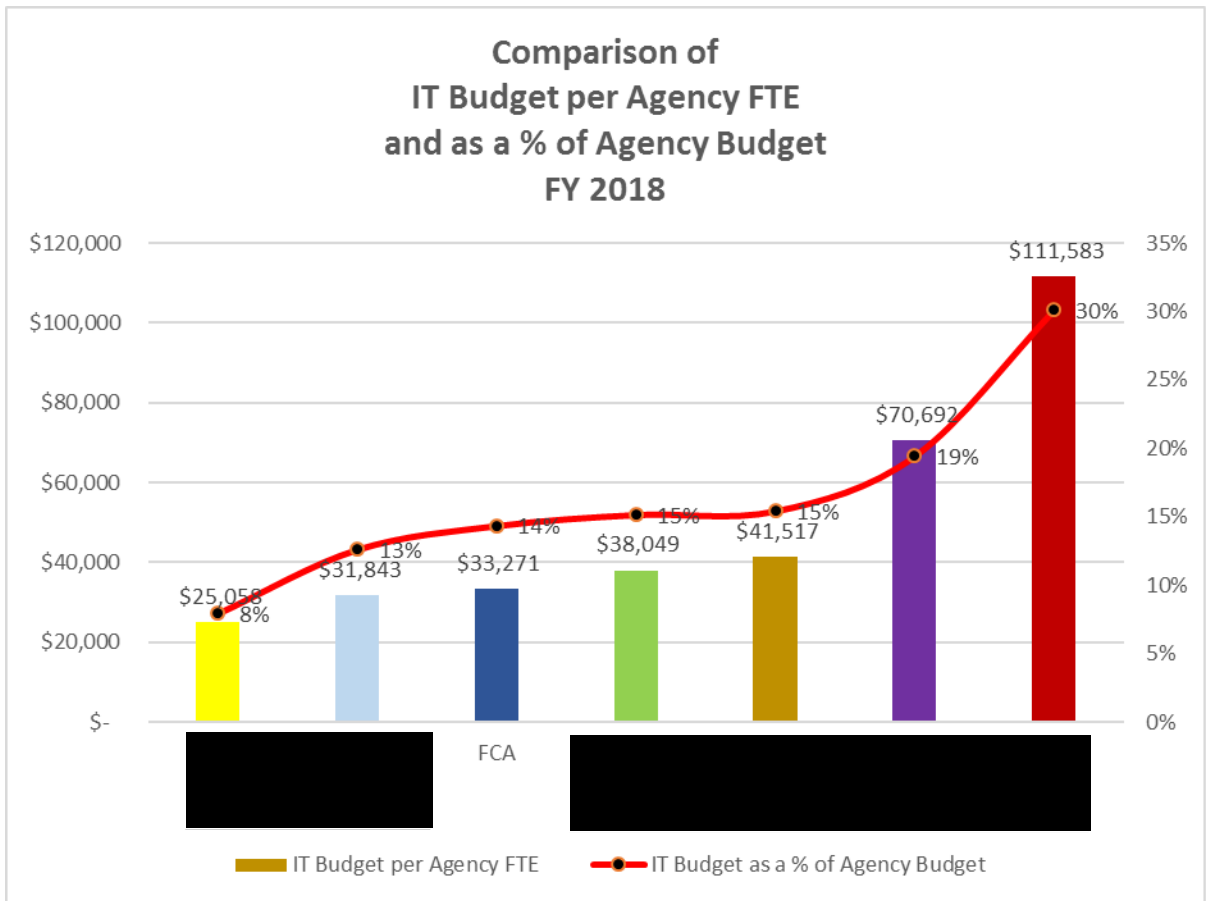


Exhibit 12²¹²²²³

21 [REDACTED]
 22 [REDACTED] FTE numbers used for
 the [REDACTED] include both federal staff and contractor users.
 23 [REDACTED] personnel data is representative of position (not FTE).

Comparison of IT Budgets by Object Class

We compared FCA's OIT budget by object class to other federal financial regulators that provided comparable data ([REDACTED]). Of the agencies that included personnel compensation and benefits in their IT budget, FCA spends the largest percentage of its IT budget on personnel compensation and benefits.²⁴ FCA budgeted 60% of its IT budget on personnel compensation and benefits. [REDACTED] budgeted between 24 and 32% of its IT budget on personnel compensation and benefits. FCA's second largest item in its IT budget is other contractual services at 25%. [REDACTED] budgeted between 51% and 61% of their IT budget for other contractual services. FCA budgeted a far greater amount on personnel compensation and benefits and significantly less on other contractual services than [REDACTED]. [REDACTED] budgeted significantly more on other contractual services than personnel costs.

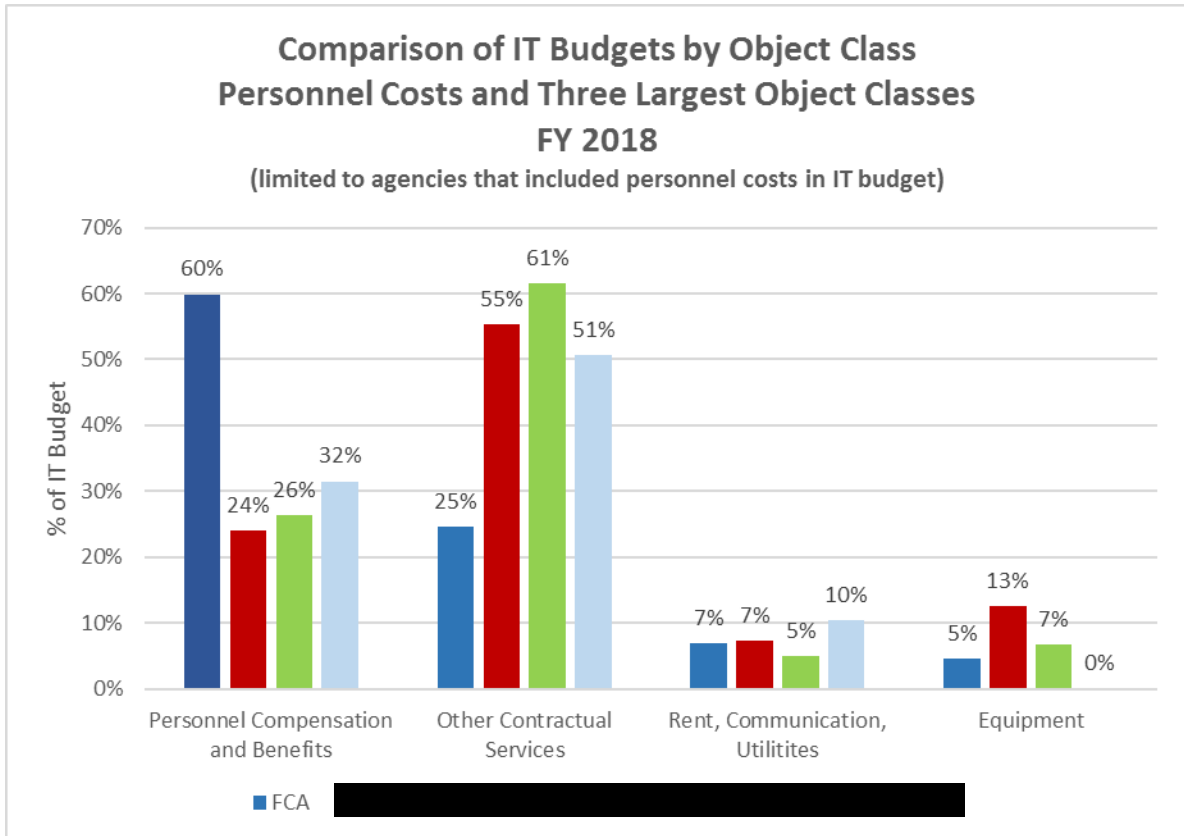


Exhibit 13²⁵

²⁴ [REDACTED] IT budgets do not include personnel costs. Therefore, we were unable to benchmark personnel costs for those agencies. [REDACTED] so we were unable to benchmark [REDACTED] IT budget by object class.

²⁵ [REDACTED]

For the next analysis, we identified the three largest budget object classes and compared FCA to the other federal financial regulators that provided comparable data ([REDACTED]). We excluded personnel compensation and benefits since some agencies did not include it in their IT budgets. Then, we calculated the percent budgeted for the three largest budget object classes.

After excluding personnel costs, the three largest budget object classes were the same for each of these agencies:

1. Other Contractual Services
2. Rent, Communication, Utilities
3. Equipment

All the agencies budgeted the highest percent for other contractual services. FCA budgeted the lowest at 61%, and the other federal financial regulators budgeted between 64% and 83%.

Rent, communication, and utilities was 17% of FCA's IT budget. Other federal financial regulators budgeted between 4% and 15% on rent, communication, and utilities. FCA's IT budget for rent, communication, and utilities was the highest amount of the other federal financial regulators during FY 2018.

Equipment was 12% of FCA's IT budget. Other federal financial regulators budgeted between 0% and 32% on equipment. FCA was in the middle of this range during FY 2018. Equipment and software are budgeted in a single year even if the useful life is longer than one year. IT budgets for each of the agencies could vary from year to year based on the timing of significant IT equipment purchases like laptops, servers, and network equipment.

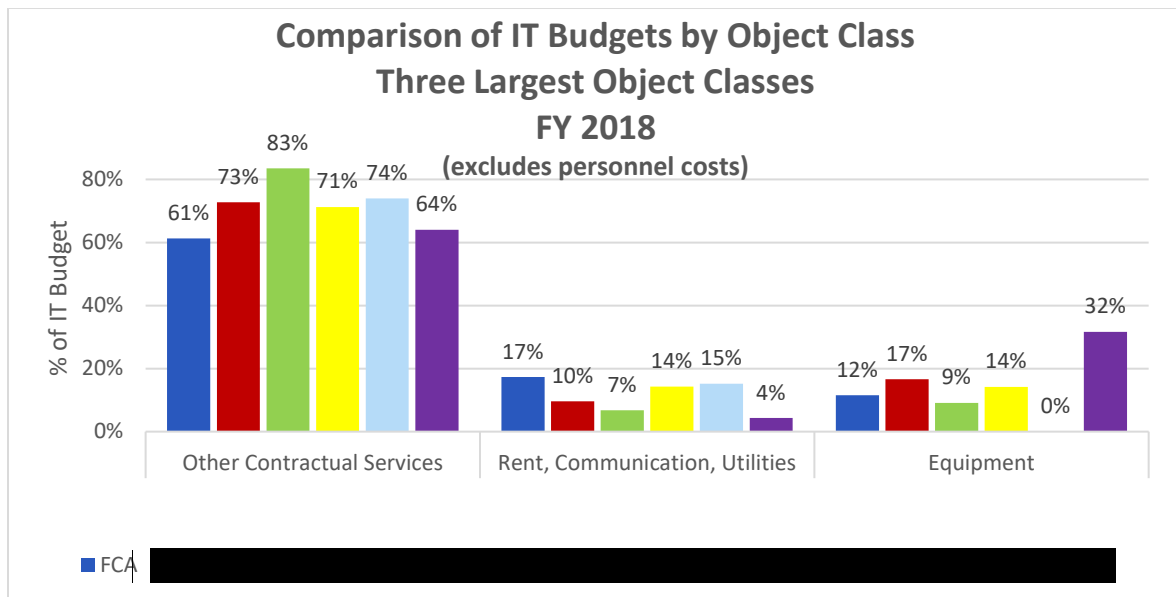


Exhibit 14²⁶

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Comparison of FCA’s Agency FTEs and IT FTEs to other Federal Financial Regulator Agency FTEs and IT FTEs

We compared the number of agency FTEs and IT FTEs at FCA to the benchmarked federal financial regulators. FCA had the smallest number of agency FTEs (307) and IT FTEs (28) during FY 2018.

We calculated the IT FTEs as a percentage of agency FTEs for FY 2018 for each of the federal financial regulators. IT FTEs as a percent of agency FTEs ranged from 4% to 15% of their respective agency. FCA was in the middle of the range with IT FTEs at 9% of total agency FTEs.²⁷

Comparison of Agency FTEs to IT FTEs FY 2018

AGENCY	TOTAL FTEs	IT FTEs	% OF IT FTEs
[REDACTED]			4%
[REDACTED]			5%
[REDACTED]			8%
FCA	307	28	9%
[REDACTED]			12%
[REDACTED]			13%
[REDACTED]			15%

Exhibit 15²⁸²⁹

The following graph is a visual representation of IT FTEs as a percent of agency FTEs for FCA and the benchmarked financial regulators.

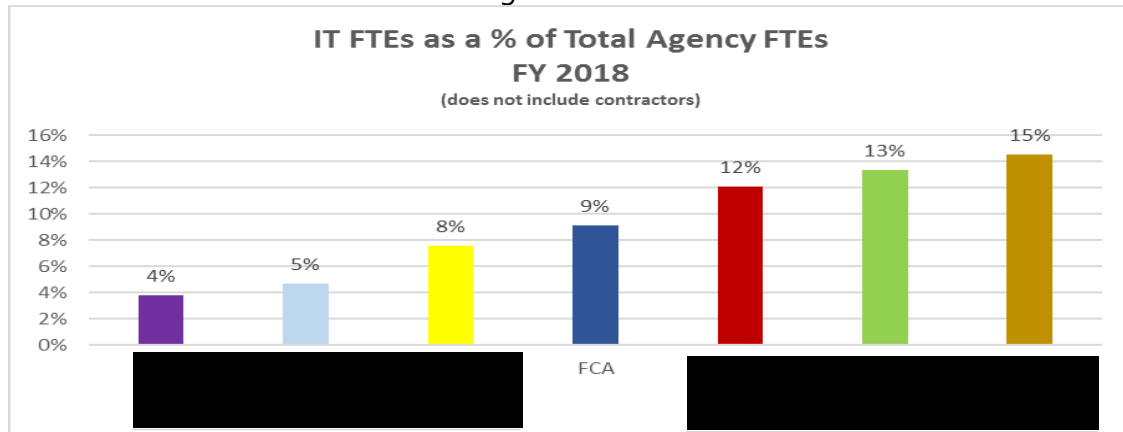


Exhibit 16³⁰³¹

²⁷ This comparison is limited to agency employees and does not reflect contractor support with the exception of [REDACTED] FTE numbers used for the [REDACTED] include both federal staff and contractor users.

²⁸ [REDACTED]

²⁹ [REDACTED] personnel data is representative of position (not FTE).

³¹ [REDACTED] personnel data is representative of position (not FTE).

APPENDIX B: OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this evaluation was to compare FCA's IT budget and use of other IT contractual services to other federal financial regulators. The scope of this evaluation included FCA and FCA IT budgets from FY 2016 through FY 2018 and FY 2018 agency and IT budgets of the benchmarked federal financial regulators.

FCA's FY 2018 IT budget and use of other IT contractual services was compared to data obtained from other federal financial regulators including:³²

- CFTC
- FDIC
- FHFA
- FRB
- NCUA
- SEC

We performed the following steps to accomplish the evaluation objective:

- Identified and reviewed related laws, regulations, and OMB guidance;
- Identified and reviewed related Agency policies and procedures;
- Reviewed prior audits and inspections related to the evaluation objective;
- Conducted interviews with FCA's CIO, CFO, and staff from OIT and OCFO;
- Communicated with other federal financial regulators;
- Obtained and analyzed agency and IT budgets from FCA and other federal financial regulators;
- Benchmarked and compared how much FCA budgeted for IT as a percentage of the overall Agency budget;
- Compared FCA's IT budget to other federal financial regulators;
- Compared FCA's IT staffing to other federal financial regulators;
- Compared FCA's use of other IT contractual services to other federal financial regulators;
- Considered significant internal control processes; and
- Considered the possibility of fraud, other illegal acts, waste and abuse related to the objective.

We conducted this evaluation in accordance with CIGIE's *Quality Standards for Inspection and Evaluation*. Those standards require that we plan and perform the evaluation to obtain sufficient, competent and relevant evidence that supports a reasonable basis for our findings, conclusions and recommendations. Overall, we believe the evidence obtained is sufficient to provide a reasonable basis for our findings and conclusions based on the evaluation objective.

³² We were not able to obtain comparable information from the Office of the Comptroller of the Currency.

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We reviewed internal controls identified as significant to the objective and did not identify any material control weaknesses. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our evaluation.

To address our objectives, we relied on computer-processed data such as budget reports provided by FCA's OCFO and Spend Plans provided by OIT. We did not test the systems that generated these reports since that was not our objective. However, we assessed the reliability of FCA's computer-processed data and determined it was sufficiently reliable and valid for use in meeting our objective.

Additionally, we obtained data directly from other federal financial regulators and did not perform any additional testing to determine its reliability. However, each other regulator reviewed and confirmed the accuracy of their data as described in this evaluation.

We assessed the risk of fraud and abuse related to our evaluation objective while evaluating evidence. Nothing came to our attention during the evaluation to indicate fraud or abuse was occurring.

This evaluation was performed at FCA headquarters in McLean, Virginia, from December 2017 through August 2018. At the end of this evaluation, we provided management with a draft report of our observations and held an exit conference on August 8, 2018. We also provided the other federal financial regulators with a redacted copy of the draft report with their data visible so they could ensure the accuracy of our representation of their data.

APPENDIX C: DEFINITION OF INFORMATION TECHNOLOGY

Information technology is defined by Office of Management & Budget (OMB) in M-15-14 and includes:

- A. "Any services or equipment, or interconnected system(s) or subsystem(s) of equipment, that are used in the automatic acquisition, storage, analysis, evaluation, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information by the agency; where
- B. such services or equipment are ' used by an agency' if used by the agency directly or if used by a contractor under a contract with the agency that requires either use of the services or equipment or requires use of the services or equipment to a significant extent in the performance of a service or the furnishing of a product.
- C. The term " information technology" includes computers, ancillary equipment (including imaging peripherals, input, output, and storage devices necessary for security and surveillance), peripheral equipment designed to be controlled by the central processing unit of a computer, software, firmware and similar procedures, services (including provisioned services such as cloud computing and support services that support any point of the lifecycle of the equipment or service), and related resources.
- D. The term " information technology" does not include any equipment that is acquired by a contractor incidental to a contract that does not require use of the equipment."³³

Information technology resources are also defined by OMB in M-15-14 and includes:

- A. "Agency budgetary resources, personnel, equipment, facilities, or services that are primarily used in the management, operation, acquisition, disposition, transformation, or other activity related to the lifecycle of information technology;
- B. Acquisitions or interagency agreements that include information technology and the services or equipment provided by such acquisitions or interagency agreement; but
- C. Does not include grants to third parties which establish or support information technology not operated directly by the Federal Government."³⁴

³³ <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/memoranda/2015/m-15-14.pdf>

³⁴ <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/memoranda/2015/m-15-14.pdf>

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