

MANAGEMENT CHALLENGES



FCAOIG

Farm Credit Administration
Office of Inspector General

November 2025

INTRODUCTION

The Reports Consolidation Act of 2000 requires the Inspector General to provide a summary perspective on the most serious management and performance challenges facing the Farm Credit Administration (FCA or Agency) and briefly assess the Agency's progress in addressing those challenges. In accordance with this Act, we are reporting what we have determined to be the most significant management and performance challenges facing FCA. These challenges reflect ongoing vulnerabilities identified by the Office of Inspector General (OIG) over recent years as well as new and emerging issues.



**Ensuring
Effective
Human
Capital
Management**



**Adapting to
Changes in
Information
Technology**



**Regulating
and
Supervising
a Complex
Farm Credit
System**



**Planning for
Artificial
Intelligence**



**EMERGING
CHALLENGE:
FCA Board
Operating
Without a
Quorum**

FCA is a federal agency tasked with regulating and supervising the Farm Credit System (System). The System is the nation's oldest government-sponsored enterprise, consisting of a nationwide network of cooperative banks and associations, and a secondary market entity known as the Federal Agricultural Mortgage Corporation (Farmer Mac). The System's borrower-owned banks and associations provide credit to farmers, ranchers, residents of rural communities, agricultural and rural utility cooperatives, and other eligible and creditworthy borrowers. Farmer Mac provides a secondary market for agricultural real estate loans, rural housing mortgage loans, and certain rural utility loans. The Agency ensures that all institutions within the System are safe, sound, and reliable sources of credit and related services for creditworthy and eligible individuals in agriculture and rural America. To promote safety and soundness in the System, FCA conducts examination and supervision activities, develops regulations and policies, and monitors risks and System conditions.

MANAGEMENT CHALLENGES

CHALLENGE ONE: *Ensuring Effective Human Capital Management*

The most significant challenge for FCA is effectively managing human capital in the context of a rapidly changing federal workforce.¹ FCA is a small agency, currently staffed by about 315 personnel. During the last fiscal year, through the Deferred Resignation Program² and various other forms of separation, including normal attrition through resignations, transfers, and retirements, the Agency lost approximately 10 percent of its employees. Like other small federal agencies, this reduction, along with its small footprint and new government-wide hiring guidance,³ complicates efforts to staff appropriately and effectively fulfill the Agency's mission. Adding to the challenge, about 20 percent of the agency is eligible for retirement between now and 2030. Succession planning has been consistently identified as one of the highest risks facing the Agency, by both the Agency and the OIG in our reporting.



Ensuring Effective Human Capital Management

FCA's success will depend greatly on its capacity to:

- Manage the current staffing levels and analyze future staffing needs,
- Consider the various disciplines and skillsets needed in its workforce, and
- Meet those needs through future recruitment and retention.

One of the primary ways this challenge arises is through staffing fluctuations within the mission-critical examination program. To ensure safety and soundness, FCA's examination staff plan, organize, and conduct examinations of System institutions. For an examiner to receive a commission at FCA, examination staff must pass a rigorous four-year training program. In addition, FCA utilizes an internship program as a recruitment pipeline to the commissioning program. Losing examination staff in various stages of the examiner commissioning program places an additional challenge on the Agency to fill gaps in recruiting and training cycles. This is especially difficult when the Agency loses a commissioned examiner that it trained and developed over four years to perform the examinations or there is a break in the cycle for new talent. Safety and soundness examinations are especially important given the complexity of the System and potential interest rate, credit, and other risks.

The Agency continues to address this management challenge. In addition to the competitive compensation and benefit programs, FCA initiated working groups and projects related to issues facing the Agency and undertook efforts to address the lack of succession planning. The Agency also uses rotational assignments and details to encourage development and leadership experiences in addition to temporarily filling open positions. The Agency also completed important actions on key position and personnel dependencies in response to our February 20, 2024 Inspection Report, [The Identification and Mitigation](#)

¹ The federal government recently implemented major changes aimed at reducing workforce size, highlighted by the President's "Department of Government Efficiency" Workforce Optimization Initiative. Executive Order 14210, [Implementing the President's "Department of Government Efficiency" Workforce Optimization Initiative](#) (February 11, 2025).

² Offered through the Office of Personnel Management in January 2025, the Deferred Resignation Program allowed federal employees to voluntarily resign and retain pay and benefits through September 30, 2025.

³ On January 20, 2025, the White House issued a Presidential Memorandum implementing a federal hiring freeze, which was subsequently extended before issuance of new federal hiring guidance on October 15, 2025. Executive Order 14356, [Ensuring Continued Accountability in Federal Hiring](#) (October 15, 2025).

[Efforts for Key Position and Personnel Dependencies at the Farm Credit Administration](#), including developing a succession planning framework, providing guidance to FCA leadership, and conducting a workforce analysis to identify key risk areas.

In the absence of a hiring freeze, FCA appears well-positioned to compete effectively in the labor market. However, there are still significant areas to address in the realm of human capital management. The Agency must adopt a strategic and holistic approach to meet its future staffing needs. As discussed in subsequent sections of this report, FCA has prioritized innovation in recent years. This focus, combined with the rapid advancement of new technologies and plans for office restructuring and redevelopment, presents a unique opportunity for FCA to redefine its human capital strategies.

FCA OIG issued prior reports relating to human capital management and will continue to address this challenge through our oversight mission. These reports include:

- [Farm Credit Administration's Employee Separation Process](#) (February 9, 2021), and
- [Human Capital Planning at the Farm Credit Administration](#) (February 29, 2016).

CHALLENGE TWO: Adapting to Changes in Information Technology

FCA is navigating a complex landscape where the demand for new technology and innovation must be balanced with the imperative of a strong and strategic information security program. As cybersecurity threats evolve, the Agency faces the crucial task of implementing a security framework that is both prepared for and adaptable to these ongoing challenges.

Cyber incidents can cause tremendous harm to national security, agencies, and the American people. Security threats, events, and breaches across the world highlight the prevalence of cybersecurity risks and the importance of robust detection, response, and prevention processes. Cyber-attacks continue to evolve in complexity with rapid technological advancements. The tactics and techniques of adversaries increasingly use tools that are harder to detect, and the use of external providers can increase visibility challenges.

FCA depends heavily on information technology systems for its operations. The Agency will continue to be challenged to meet all the requirements and strategies for a strong information technology security program as more resources and approaches may be necessary to address emerging threats. This is not a challenge unique to FCA. To address this challenge, FCA's information security program needs to be able to pivot quickly in certain scenarios to adapt to changing threats and requirements. Continuous investment in training and hiring staff with the necessary expertise is essential as new technologies evolve. As a small agency with limited resources and budget constraints, FCA regularly grapples with the challenges of maintaining an agile workforce. This workforce must be capable of adapting internal processes, policies, procedures, and technologies efficiently while aligning with other mission-critical priorities of the Agency.

FCA OIG performs an annual review of FCA's information security program and practices, as required under the Federal Information Security Modernization Act of 2014 (FISMA), to assess their effectiveness and the Agency's progress toward achieving outcomes that strengthen federal cybersecurity. In our most recent [evaluation](#), FCA's information security program received an overall rating of *effective* (Level 4:



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Managed and Measurable).⁴ During that review, OIG found the information security program included updated policies and procedures, risk management tools and practices, and vulnerability and security control assessments. The Agency also made progress in implementing recommendations resulting from previous FISMA reviews, but challenges remain to keep the information security program at an effective level. Three domains were rated below an effective level: risk and asset management, incident response, and cybersecurity governance, a new domain for the Fiscal Year 2025 FISMA metrics.

Overall, it is imperative that FCA's systems and internal processes adapt quickly to keep pace with rapidly changing cyber threats. FCA continues to plan for resources and adopt new technologies that could enhance its ability to improve the everchanging information security program. Looking forward, the Agency needs to ensure there is a strategy to advance the program into a more agile, responsive model.

CHALLENGE THREE: *Regulating and Supervising a Complex Farm Credit System*

At the core of FCA's mission is its responsibility to ensure System institutions are safe, sound, and dependable sources of credit and related services. With a total loan volume of about \$430 billion supporting over 600,000 farmers, ranchers, and other agricultural investments, risks across the System continue to become more complex and sophisticated.

FCA mitigates risks within the System through multiple tools, primarily relying on its examination program as the key oversight instrument. Risk-based examination activities are designed to ensure System institutions operate safely and soundly in accordance with federal regulations. The current resource-constrained environment challenges FCA to identify System and institution-specific risks more efficiently.

Improvements to risk assessment, scoping, and resource allocation will require new ways of thinking and high-quality data to inform decisions. As the Agency is required to do more with less, it will need to evaluate and implement technologies, people, and systems that make business processes more efficient without compromising the quality of oversight activities.

In addition to risk identification and resource optimization, regulating and supervising a complex System requires technical and competitive skillsets. The System is rapidly evolving with new technologies and structures. In addition, agricultural lending is impacted by volatile and unpredictable economic factors such as trade, labor, interest rates, inflation, and land values. To understand and oversee System institutions, Agency personnel will require unique and growing expertise in capital markets, information technology, credit, and data analytics. What was once considered specialized knowledge is becoming a more foundational element in understanding the advanced analytical tools and products utilized across the System. FCA will need to identify and build the most critical skillsets to address the most significant



Regulating and Supervising a Complex Farm Credit System

⁴ According to the [FY 2025 Inspector General Federal Information Security Modernization Act of 2014 Reporting Metrics](#), the effectiveness of an information security program is determined based on the ratings earned on a maturity model spectrum. The FISMA maturity model summarizes the status of agencies' information security programs on a five-level scale (Level 1 to Level 5). A Level 4 or above means the information security program is operating at an effective level of security. Generally, a Level 4 maturity level is defined as formalized, documented, and consistently implemented policies, procedures, and strategies with performance measures on the effectiveness of policies, procedures, and strategies collected across the organization and assessed to make necessary changes.

System risks and retain personnel with in-demand specialties to build a qualified pipeline, grow institutional knowledge, and support effective regulatory and supervisory activities.

Another key aspect of safety and soundness is mitigating challenging scenarios. In a complex, evolving financial system it becomes more difficult for the Agency to ensure it is positioned with the appropriate resources to foresee, plan for, and respond to scenarios that could impact safety and soundness. Proactive assessments and readiness evaluations will ensure FCA can respond to challenging scenarios, should one arise. As part of this process, the Agency will also need to ensure it can maintain robust and effective oversight activities while preparing for potentially difficult or unexpected scenarios.

The Agency continues to take steps to enhance its oversight capabilities, including developed teams and working groups to discuss examination resources and solutions to staffing needs. To better examine and regulate the System in accordance with established priorities, FCA assesses new specializations, training, and scoping approaches, as well as enhancements to available automation and data analytics.

The Office of Examination establishes a National Oversight Plan that identifies areas that will be emphasized when examining and overseeing System institutions. The Office of Examination's [*National Oversight Plan for Fiscal Year 2026*](#) includes four focus areas:

1. Serving agriculture in volatile times,
2. Operating resilience,
3. Public mission and Young, Beginning, and Small farmer and rancher programs, and
4. System loan data reporting.

Similarly, the Office of Secondary Market Oversight also produces an annual oversight and examination plan. While the 2026 plan is under review, the FCA Board approved the 2025 plan in November 2024.

FCA OIG has issued various reports focused on the Agency's oversight of the System, including:

- [*Farm Credit Administration's Process for Merger Activities in the Farm Credit System*](#) (September 28, 2023),
- [*Farm Credit Administration's Examiner Staffing Program*](#) (January 30, 2023),
- [*The Office of Secondary Market Oversight's Examination Policies and Procedures*](#) (September 24, 2021),
- [*Farm Credit Administration's Criminal Referral Process*](#) (March 12, 2020),
- [*Farm Credit Administration's Office of Examination Structure and Organization Benchmarking Evaluation*](#) (March 20, 2019), and
- [*The Farm Credit Administration's Oversight of Young, Beginning, and Small Farmer Programs*](#) (June 1, 2016).

CHALLENGE FOUR: *Planning for Artificial Intelligence*

One of the most significant drivers of change and risk is the emergence and adoption of artificial intelligence (AI) across the financial sector. While the use of AI could increase the efficiency and effectiveness of Agency operations, both the inherent risk associated with AI and its complicated regulatory history pose challenges for FCA.

In July 2025, the White House released [*Winning the Race: America's AI Action Plan*](#), which emphasizes that AI can enable the federal government to serve the public with greater efficiency and effectiveness. The plan references potential benefits that include:

- Automation of repetitive tasks,
- Streamlined administrative processes,
- Tailored services for diverse constituencies, and
- Enhanced analysis of large datasets.

However, while AI could increase efficiency, it also poses a challenge to the Agency as it will have to ensure any changes do not dilute its high standards as a financial regulator. Additionally, implementation of AI technologies also carries unique risks that require proactive governance and well-defined internal controls to safeguard objectivity, accuracy, and compliance with statutory requirements. Certain examples of risks and potential control considerations are outlined below:

AI Risks	Potential Control Consideration
Inequitable Outputs	Regular testing of algorithms to identify and correct discriminatory patterns or biases
Inappropriate Release of Sensitive Information	Procedures to prevent unauthorized access, misuse, or exposure of sensitive information
Loss of Transparency	Procedures for ensuring AI outputs and algorithms can be explained
Inability to Detect Errors in Outputs	Maintaining human review for all high-impact decisions

Planning for the use of AI is further complicated by the evolving regulatory landscape. Just within the past two years, there have been numerous laws, executive orders, and other guidance governing the use and adoption of AI in the federal government that have been issued, rescinded, and replaced. This makes it difficult for the Agency to understand the allowable boundaries and requirements of implementation, maintenance, and reporting on AI.

Since its issuance of a January 2024 innovation philosophy statement that outlines the Agency's position on innovation in the System and the Agency, FCA continues to make strides in its phased approach to AI adoption. Through the Agency's Data Advisory Group, FCA's Office of Data Analytics and Economics and Office of Information Technology (OIT) are collaborating to evaluate use cases for AI and innovative solutions at the Agency. Additionally, in August 2025, FCA announced the FCA Labs initiative, which will



Planning for Artificial Intelligence

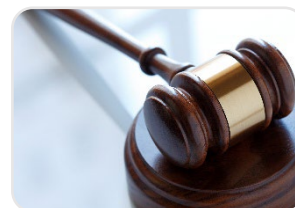
help in understanding the needs of the Agency while also proposing solutions. Most recently, in September 2025, OIT announced a multiphase pilot to explore and evaluate how generative AI could support productivity, creativity, and efficiency across the Agency. This pilot includes staff from each office partnering with OIT to identify use cases and test how a generative AI chatbot could improve how they work. While these are important steps, FCA will continue to be challenged to plan, design, and implement strategies for the use of AI.

As the use of AI advances within FCA and the System, OIG will explore future projects addressing the implementation, application, and controls governing these technologies.

EMERGING CHALLENGE: *FCA Board Operating Without a Quorum*

While not currently impeding FCA programs and operations, one emerging challenge facing the Agency is losing a quorum of FCA Board members. The Farm Credit Act of 1971, as amended (Act), vests responsibility for managing the Agency in the full-time, three-member FCA Board. Board members are presidentially appointed and Senate-confirmed, and must be U.S. citizens and broadly representative of the public interest. Board members serve six-year terms, which are staggered and fixed so that a term expires every two years regardless of when the member was appointed. The Act provides for board members to continue serving after expiration of their term until a successor is appointed and confirmed.

The FCA Board has operated as a two-member body since the departure of Board Member Vincent G. Logan in March 2025. This situation is not unprecedented: Board Chairman Jeffery S. Hall and Board Member Glen R. Smith previously served without a third member for more than three years, from May 2019 to October 2022. With a two-member Board, the Agency faces the heightened prospect of a board member departing and leaving the Agency with a single board member. If this were to happen, the Board would lack a quorum and consequently would be unable to establish general policy or promulgate rules and regulations, leaving the Agency less able to carry out its statutory mission. That possibility is more likely now that the President nominated Board Member Smith to serve in another Senate-confirmed position at the U.S. Department of Agriculture. The Agency, however, has a policy enabling the delegation of specific Board powers to a single remaining member and is proactively addressing the potential impacts of this situation by implementing measures designed to mitigate its effects.⁵



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⁵ FCA Board Policy Statement 64, [Rules for the Transaction of Business of the Farm Credit Administration Board](#) (Amended Feb. 12, 2025).

MANAGEMENT RESPONSE

Farm Credit Administration

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November 7, 2025

Stephen H Ravas
Acting Inspector General
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Dear Mr. Ravas:

Thank you for sharing the management challenges report with the Farm Credit Administration on Oct. 25. We appreciate your office's assessment and perspective of the management challenges facing FCA. We are committed to our mission of ensuring that Farm Credit System institutions and Farmer Mac are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America. In response to your analysis of the challenges facing FCA, I offer the following feedback

Challenge 1: Ensuring effective human capital management

Effective and strategic human capital management remains a top priority for FCA. While we experienced higher than normal attrition due to the Deferred Resignation Program, our commitment to attracting and retaining a highly qualified workforce remains steadfast. In partnership with the Office of Personnel Management (OPM), we implemented the governmentwide Merit Hiring Plan. We also developed a strategic recruitment plan to further align our workforce strategies with the agency's mission and strategic objectives. As of Sept. 30, 12.8% of FCA's workforce is eligible for retirement, a significant decline from the 21.8% peak in 2020. This reduction presents an opportunity to further strengthen our workforce by ensuring we have the right mix of skills and talent to support current and future mission success.

Our human capital strategy emphasizes both internal and external hiring. Through our internal mobility efforts, we have successfully promoted employees into key roles essential to mission readiness. Externally, we continue to collaborate with OPM to secure hiring freeze exemptions for mission-critical positions. For entry-level hiring, we maintain strong relationships with staff at land-grant universities across the country.

Office of Examination (OE) hiring in the coming year will primarily focus on midcareer specialists in the areas of information technology and finance. Successfully hiring midcareer staff in these critical areas, while moving entry level staff through our multiyear

commissioning program, allows us to ensure we have a steady pipeline of both early-career and midcareer talent. Examination staff trained through our internal commissioning process contribute significantly to the examination process throughout their first four years with the agency and remain a key component

of future staffing resources.

Currently, we enhance and support staff skills in various ways:

- Internal mobility opportunities, such as rotational assignments, to help prepare FCA's next generation of leaders
- Formal training events, such as those sponsored by the Federal Financial Institutions Examination Council, which prescribes uniform principles and standards for the federal examination of financial institutions
- Other external and internal trainings, as well as brown bag sessions with subject-matter experts]

To better understand future OE staffing needs, we plan to conduct a workforce study to help identify the various disciplines and skillsets required for the OE workforce

Challenge 2: Adapting to changes in information technology

Over the past few years, our IT security program has consistently earned effective ratings from the inspector general during the annual Federal Information Security Modernization Act reviews. We have continuously improved and matured the program by increasing awareness, instilling better cyber hygiene practices, and implementing additional technical controls.

Cybersecurity threats and technology-driven risks remain a perennial challenge facing the private and public sectors. Fortunately, just as the agricultural and Farm Credit System landscapes are becoming more complex, the tools available to mitigate risks are becoming more sophisticated. We continue to invest in these tools to monitor and mitigate risk. We also continue to make decisions on the basis of risk so that we can deploy our resources effectively and efficiently.

Over the past year, we continued our participation in the mandated Cybersecurity and Infrastructure Security Agency's Continuous Diagnostic and Mitigation Program, further strengthened our monitoring technologies, and made several other security enhancements. Going forward, we are researching and investing in the necessary tools to facilitate timely changes in policies, procedures, and controls that will enable us to capitalize on new technologies securely while mitigating risk.

We fully recognize the need to harness IT resources to further the mission of the agency. Strong collaboration and coordination between the Office of Information Technology and other FCA offices, particularly OE and the Office of Data Analytics and Economics, will allow us to balance the need for updated technologies with the protection of agency information. We must all work together to identify and apply new tools and match technology solutions to our business needs.

Challenge 3: Regulating and supervising a complex Farm Credit System

FCA acknowledges the growing complexity and sophistication of the Farm Credit System. We continue to assess our capacities, resources, and skills to identify gaps and opportunities to strengthen our ability to regulate and supervise the System.

In FY 2025, we acted on many fronts to address the ever-increasing complexity and sophistication of the System. For example, OE completed an analysis and report to consider organizational structure and examination process changes needed to meet these challenges. The report and related recommendations were presented to OE and FCA senior management; OE is currently implementing some of the recommendations. FCA also continued to develop and introduce new analytical tools, and we are exploring the use of artificial intelligence (AI). Further, OE and the Office of Secondary Market Oversight included detailed risk assessments in their oversight plans. The Office of Secondary Market Oversight updated its examination manual guidance recently, and OE updated examination manual guidance on collateral risk management and risk-based examinations. The Office of Regulatory Policy has several proposed and final rulemakings planned for FY 2026.

Maintaining and developing staff expertise remains critical to meeting the challenge of examining more complex and sophisticated institutions. We continued our strategy of hiring needed technical expertise; early in FY 2025, we hired several midcareer technical experts with skills in credit, finance, and accounting. More hires are planned for FY 2026. We also continued to provide training to examiners and other staff in critical areas like data analytics, credit, and advanced governance.

As outlined in our FY 2026 national oversight plan, we are focusing examination efforts on four areas:

- **Serving agriculture in volatile times.** This requires timely and accurate risk identification, proactive loan servicing, and strong portfolio management.
- **Operational resilience.** We will continue our efforts related to System cybersecurity and adoption of AI.
- **Public mission.** Our examinations will stress the importance of the System's public mission, ensuring that institutions fulfill their responsibility to serve all creditworthy borrowers and rural America in good times and bad.
- **Loan data reporting.** This focus area will support our efforts to further improve data analytics, and we will share key findings from our examination activities with System institutions as appropriate.

Over the past year, I have had frequent and ongoing communications with System representatives, from both boards and senior management. This gave me the opportunity to learn about System challenges and how the System is responding. I've also closely monitored System consolidation to ensure that risk is being appropriately managed and cooperative principles upheld. These efforts will continue to strengthen FCA's ability to respond to challenges proactively and appropriately.

Challenge 4: Planning for artificial intelligence

FCA is committed to ensuring that the agency's use of AI is designed, deployed, and used responsibly to advance our mission. While the regulatory landscape continues to evolve, we are using a strategic approach to facilitate AI capabilities responsibly by tailoring our speed of innovation with right-sized risk-based decisions.

As you noted in your management challenges report, FCA has implemented a collaborative approach to AI. We're using general-purpose chatbots and highly specialized models to take maximum advantage of productivity-enhancing tools while segregating and mitigating risk.

Our general-purpose chatbot, currently in pilot, will enable staff to use generative AI technologies to help with routine and support tasks, such as researching regulatory issues, summarizing meetings and documentation, and composing documents.

FCA recognizes both the promise and risks associated with AI technologies and the need for appropriate internal controls. Our approach to AI implementation will balance these controls with opportunities to increase staff efficiency. The core of FCA's strategy of implementing AI in a safe and sound manner is balancing any additional risks with the added value for our staff. We understand the implementation and governance risks, but we also recognize the obsolescence risks of not adopting new technologies. These risks apply not only to our internal operations but also to our ability to properly examine and regulate financial institutions that rapidly adopt these technologies.

Concluding thoughts

Thank you again for your insights. Overcoming these challenges requires thoughtful strategies, stakeholder collaboration, and knowledge sharing.

I am honored to be a member of the talented group of public servants at FCA who work to ensure that the Farm Credit System will be there to meet the credit needs of future generations of American farmers, ranchers, and rural communities. We look forward to working with you and your staff in the coming year.

Sincerely,



Jeffery S. Hall
Board Chairman and CEO
Farm Credit Administration