

Farm Credit Administration Office of Inspector General



Semiannual Report to Congress
October 1, 2019 – March 31, 2020

FCAOIG
Farm Credit Administration
Office of Inspector General

FARM CREDIT ADMINISTRATION OFFICE OF INSPECTOR GENERAL



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SEMIANNUAL REPORT TO CONGRESS

OCTOBER 1, 2019 – MARCH 31, 2020

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 October 1, 2019 through March 31, 2020.

This reporting period was marked by the arrival of the novel coronavirus and the resulting global disruptions that have already impacted every aspect of our lives; from the way we conduct business to the way we relate to one another. As the world navigates this crisis, we at the FCA OIG are determined to provide FCA the same high-quality oversight that has come to be expected of us. In order to limit the spread of the virus, and in accordance with governmentwide guidance, our office has implemented full-time telework for all OIG personnel. I can report that remote computing capabilities have thus far enabled us to carry out our audit, inspection, evaluation, and investigation functions without undue inconvenience.

We are similarly resolved to support the efforts of the Pandemic Response Accountability Committee that was recently established by the Coronavirus Aid, Relief, and Economic Security Act. Comprised of members of the Inspector General community, the committee is tasked with conducting and supporting oversight of the two trillion dollars in funds appropriated to address the results of the pandemic.

Notwithstanding the pandemic, the past six months saw the OIG's audit, inspection, evaluation, and investigative functions continue to provide oversight at the same pace and high quality seen in past reporting periods. One highlight of the reporting period was an audit of FCA's criminal referral and follow-up process, which identified several opportunities for the Agency to improve the storage and analysis of information received regarding potentially criminal conduct impacting the Farm Credit System. Our office also conducted an annual evaluation of FCA's information technology security program and oversaw an audit of the Agency's financial statements, timely meeting statutory reporting requirements.

I am also pleased to report that an external peer review of our inspection and evaluation program found our policies, procedures, and reports to be compliant with the Council of the Inspectors General on Integrity and Efficiency's (CIGIE) *Quality Standards for Inspection and Evaluation* (Blue Book). In another highlight of the reporting period, our investigative program reviewed all complaints in a timely manner and acted upon them in expeditious fashion. These and other OIG oversight activities continue to add value and transparency to FCA programs and operations.

Our office continued to participate extensively in the Inspector General community during this reporting period. As the Vice Chair of CIGIE's Inspection and Evaluation (I&E) Committee, I am happy to note that FCA OIG personnel have contributed significantly to the efforts of the I&E Committee working group updating the Blue Book.

Finally, during this reporting period our office established an Enterprise Risk Management (ERM) program. By identifying, measuring, and monitoring the range of risks facing the OIG, the ERM program will enable us to lead by example, improve our planning efforts, reduce the chance of disruptive events, safeguard OIG values, and better identify opportunities to add value to FCA. The ERM program has been tailored to our mission, regulatory environment, strategic plan, size, and tolerance for risk.

Accordingly, we expect to review and update the program regularly to ensure that our plan remains relevant and continues to mature. We trust that our ERM program will help guide us through these challenging times, as we strive to promote economy, efficiency, and effectiveness at FCA.

Wendy R. Laguarda

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
ERM	Enterprise Risk Management
Farmer Mac	Federal Agricultural Mortgage Corporation
FCA (or Agency)	Farm Credit Administration
FISMA	Federal Information Security Modernization Act of 2014
FY	Fiscal Year
GAO	U.S. Government Accountability Office
HRK	Harper, Rains, Knight & Company, P.A.
I&E	Inspection and Evaluation
IG	Inspector General
IG Act	Inspector General Act of 1978, as amended
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 five 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](#). The plan details the vision, mission, values, goals, and objectives of the OIG in carrying out its responsibilities under the IG Act and establishes certain performance measures against which the OIG will benchmark its performance.

The OIG's vision, mission, values, and goals are outlined below.

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 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 2020 and 2021](#).

Reports issued may be found on the [OIG's website](#) within three 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 three reports and made nine recommendations for corrective action during the reporting period. The reports are summarized below.

Audit of the Farm Credit Administration's Financial Statements Fiscal Year 2019 A-19-FS

Under the Accountability of Tax Dollars Act of 2002,³ FCA is required each year to submit audited financial statements to Congress and the U.S. Office of Management and Budget (OMB). For FY 2019, the OIG engaged Harper, Rains, Knight & Company, P.A. (HRK), to audit FCA's financial statements. The OIG monitored the work of HRK to ensure compliance with OMB guidance and the GAO Yellow Book.

HRK concluded its audit in November 2019, issuing an unmodified opinion signifying that the financial statements present fairly, in all material respects, FCA's financial position as of September 30, 2019 and 2018, and its net cost of operations, changes in net position, and budgetary resources, in accordance with generally accepted accounting principles.

The HRK auditors considered FCA's internal control over financial reporting as a basis for designing audit procedures for the purpose of expressing an opinion on the financial statements. The auditors did not express an opinion on the effectiveness of

³ Pub. L. 107-289 (Nov. 7, 2002).

those internal controls; however, they did not identify any deficiencies considered to be a material weakness.

Additionally, HRK auditors performed tests of FCA's compliance with selected provisions of laws and regulations that would have a direct and material effect on the financial statements. While they did not express an opinion on compliance with those provisions, they did not identify any reportable instances of noncompliance or other matters required to be reported under the Yellow Book or relevant OMB guidance.

The [audit report](#) was issued to the FCA Board on November 13, 2019.

2019 Evaluation of the Farm Credit Administration's Compliance with the Federal Information Security Modernization Act E-19-01

Information technology (IT) facilitates and impacts all aspects of FCA operations. As such, securing Agency IT systems against cybersecurity threats and efficiently addressing IT requirements are vital to the fulfillment of FCA's statutory mission. Consequently, the OIG has consistently recognized IT as a [top management challenge](#) facing the Agency. The Federal Information Security Modernization Act of 2014 (FISMA)⁴ affords the OIG an opportunity to annually assess FCA's progress in meeting this ever-evolving challenge.

FISMA requires OIGs to evaluate their respective agency's information security program and practices. In accordance with guidance developed by OMB and the U.S. Department of Homeland Security, the OIG assesses FCA's performance with respect to eight domains: risk management, configuration management, identity and access management, data protection and privacy, security training, information security continuous monitoring, incident response, and contingency planning. With respect to each domain, the OIG ranked FCA's effectiveness according to a 5-level maturity model ranging from "ad-hoc" (at level 1) to "optimized" (at level 5). "Managed and measurable" (level 4) is considered to be an effective level of security.

Overall, the OIG found FCA's information security program to be effective, even as it continues to mature. While most of the domains assessed were determined to be "managed and measurable," three fell short of that level. Specifically, the OIG found FCA's information security continuous monitoring and identity and access management programs to be "consistently implemented" (level 3) and the Agency's data protection and privacy program to be "ad-hoc" (level 1).

The OIG made two recommendations for corrective action, which were agreed to by FCA.

The [evaluation report](#) was issued to the FCA Board on October 30, 2019.

⁴ Pub. L. 113-283 (Dec. 18, 2014).

Farm Credit Administration's Criminal Referral Process

A-19-03

Effective examination and supervision help ensure that System institutions operate safely and soundly, comply with relevant laws, and remain a dependable source of credit for agriculture and rural America. Accordingly, the OIG has consistently considered FCA's examination and supervision program as one of the [top management challenges](#) facing the Agency. One important aspect of this program is how the Agency responds to potential crimes involving System institutions. Beyond the harm inflicted upon the victim institution, these criminal violations threaten to undermine confidence in the System as a whole.

In recognition of the threat posed by the risk of criminal activity, FCA has promulgated regulations requiring System institutions to exercise due diligence in the discovery, investigation, and reporting of criminal activity. Institutions must report known or suspected criminal violations of the U.S. Code involving assets, operations, or affairs of an institution to the cognizant U.S. Attorney, to other appropriate law enforcement agencies, and to FCA. To facilitate compliance with this reporting requirement, FCA has created a referral form, on which institutions are instructed to provide pertinent details of the known or suspected crime.

The objective of the audit was to determine whether FCA's criminal referral and follow-up process is effective and efficient. The audit found that the Agency designed processes to enable examination staff to access criminal referral information that could assist in safety and soundness reviews. FCA staff communicate issues and concerns amongst various offices. FCA designed and implemented certain controls over the collection and storage of criminal referrals, and documentation showed that FCA evaluated criminal referral information. FCA is also working on guidance clarifying the criminal referral regulations. The draft guidance is formatted as a frequently asked questions document describing FCA's process and expectations for criminal referrals. While the Agency has implemented a process, the OIG identified opportunities to improve the overall effectiveness and efficiency of the Agency's collection, storage, and analysis of criminal referrals. The audit found there was limited documentation on FCA's handling of the information once received and the procedures for handling the referrals were not fully documented.

OIG auditors also looked at how FCA stores the information submitted to the Agency through the criminal referral form. Such forms often contain sensitive information regarding potential criminal suspects, including personally identifiable information. The OIG found that FCA needed to improve the criminal referral storage process to limit access to, and storage of, sensitive information. The Agency also had not documented a Privacy Impact Assessment related to criminal referral information, and the relevant Privacy Act System of Records Notice was outdated.

The OIG also analyzed a sample of recent criminal referrals received by the Agency. Auditors focused specifically on information including the number of System institutions filing referrals, types of potential criminal violations alleged, potential losses to the institutions, as well as insider cases. The OIG identified opportunities for the

Agency to improve its analytical capabilities and better educate institutions on criminal activity in the System.

The OIG made seven recommendations in the report. FCA concurred with all of the recommendations.

The [audit report](#) was issued to the FCA Board on March 12, 2020.

Recommendations Made During the Reporting Period

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

Table 1

Report	Recommendation
2019 Evaluation of the Farm Credit Administration’s Compliance with the Federal Information Security Modernization Act	1 We recommend the Office of Information Technology complete its update of Policies and Procedures Manual Section 902, <i>Computer Security Program</i> .
	2 We recommend the Office of Information Technology update the Information Security Continuous Monitoring Strategy, including the transition to ongoing security control assessments and authorizations and development of performance measures.
Farm Credit Administration’s Criminal Referral Process	1 We recommend the Office of General Counsel update internal policies and procedures on the handling and processing of criminal referral forms received from the Farm Credit System.
	2 We recommend the Office of General Counsel, in conjunction with the Office of Information Technology, complete a Privacy Impact Assessment and update the System of Records Notice for criminal referrals.
	3 We recommend the Office of Examination document the Risk Supervision Division’s responsibilities for reviewing and initiating actions on criminal referrals and other types of reviews performed on criminal referral forms.
	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.

Report	Recommendation
Farm Credit Administration's Criminal Referral Process <i>(continued)</i>	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.
	6 We recommend the Office of Information Technology add fields to the internal criminal referral listing for amount of potential loss to the institutions and whether an insider was involved to increase efficiency in analyzing data.
	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.

In Progress

Below are the audits, inspections, and evaluations in progress at the end of the reporting period.

FCA's Implementation of Diversity and Inclusion Efforts

FCA's Office of Equal Employment Opportunity and Inclusion manages and directs the Agency's diversity, inclusion, and equal employment opportunity program. This ongoing inspection will analyze the Agency's implementation of diversity and inclusion efforts, focusing on the follow-up to a fairness and inclusiveness assessment that was conducted of the Agency in 2017 and 2018.

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, System institutions, or members of the public. The OIG may also investigate potential fraud, waste, abuse, and mismanagement identified through proactive investigative projects or audits, inspections, and evaluations.

In exercising its investigative authorities, the OIG works to produce 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*. Closing memoranda for investigations are available on the [OIG’s online reports page](#).

Table 2 summarizes major investigative activity during the reporting period.

Table 2

Metric	Number
Investigative reports issued ⁵	0
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 at any time. The office also accepts complaints by mail and in-person. Table 3 shows the OIG’s response to complaints received during the reporting period.

Table 3

Action Taken	Number
Investigation opened	1
Closed after preliminary review	8
Referred within FCA, involving borrower complaints or allegations of loan fraud	4
Referred to other federal agencies, involving matters outside of FCA OIG jurisdiction	5
Under review at the end of the reporting period	1
Total	19

⁵ Reports of investigation resulting from a formal investigation. Does not include memoranda memorializing the referral of complaints or closure of preliminary reviews.

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 certain such reviews that were completed during the reporting period.

Management Challenges

In accordance with the Reports Consolidation Act of 2002,⁶ the OIG annually prepares a statement summarizing what the OIG considers to be the most serious management and performance challenges facing FCA. The statement also assesses the Agency's progress in meeting those challenges and highlights relevant OIG oversight work.

For FY 2019, the OIG highlighted five challenges facing the Agency. Four of these were previously identified as challenges in prior years' reports:

Examination and Supervision Program: Identifying and addressing risks in the System through effective examination and supervision to ensure it remains safe and sound.

Information Technology: Leveraging investments in information technology while maintaining a secure environment.

Human Capital: Maintaining a well-trained, sustainable workforce while facing challenges in retirement eligibilities, workforce retention, and diversity.

Secondary Market Oversight: Providing effective and impartial oversight of Farmer Mac through FCA's Office of Secondary Market Oversight.

Newly recognized in FY 2019, the fifth challenge recognizes the ever-growing role of data in FCA policymaking, as reflected by the Agency's establishment of the Office of Data Analytics and Economics in November 2019:

Data Quality and Analysis: Obtaining consistent, quality data vital to FCA's mission to ensure the System remains a dependable source of credit for agriculture and rural America.

The [report](#) was issued to the FCA Board on October 7, 2019. FCA management's response can be found in the [Agency's FY 2019 Performance and Accountability Report](#).

2020 Risk Assessment of the Farm Credit Administration's Charge Card Program

In accordance with the Government Charge Card Abuse Prevention Act of 2012⁷ and implementing OMB guidance, the OIG conducts periodic risk assessments of FCA charge card programs to analyze the risk of illegal, improper, or erroneous purchases.

The OIG's 2020 assessment focused on oversight and control of the purchase card program, the travel card program, and the use of a centrally billed account. The OIG

⁶ Pub. L. 106-531 (Nov. 22, 2000).

⁷ Pub. L. 112-194 (Oct. 5, 2012).

concluded that the overall risk of FCA's charge card programs was low based on the calculated risks' impact and likelihood.

The assessment was issued to FCA's Office of Agency Services on March 2, 2020.

Survey of Farm Credit System Institutions Regarding the Agency's Examination Function

Each quarter, the OIG surveys recently examined System institutions on the quality and consistency of FCA's examination function. Survey questions seek the institution's views on several matters, ranging from the appropriateness of the examination's scope and the examiners' conduct to the helpfulness of any recommendations or required actions. The survey employs a numerical rating system and allows for institutions to provide narrative responses as well as to call the OIG with any concerns. The OIG collects, aggregates, and anonymizes survey responses for distribution to the FCA Board and Chief Examiner semiannually.

The OIG issued [a survey report](#) on March 31, 2020, detailing responses from System institutions examined during the second half of FY 2019. The report also provided cumulative survey data for the entirety of FY 2019.

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. For example, the OIG publishes 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.

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.

The IG served throughout the reporting period as the Vice Chair of the CIGIE Inspection and Evaluation (I&E) Committee. Headed by U.S. Department of State IG Steve Linick, the I&E Committee maintains professional standards for inspections and evaluations, heads the development of protocols for reviewing cross-agency management issues, oversees the I&E peer review process, and more. During the reporting period, the AIGAIE co-led an I&E Committee working group focused on the revision of the CIGIE Blue Book.

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 I&E roundtable, 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 and abuse.

During the reporting period, the OIG reviewed several bills and proposed regulations, including the Integrity Committee Transparency Act of 2019, proposed amendments to IG reporting requirements, and a modified system of records notice concerning FCA employee attendance, leave, and payroll records. 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. Toward this end, in March 2020, the OIG established an internal Enterprise Risk Management (ERM) program. ERM is an approach to addressing the full spectrum of an organization's significant risks by considering the combined array of risks as an interrelated portfolio, rather than addressing risks only within silos. Crafted in accordance with OMB, GAO, and CIGIE guidance, the ERM program has been tailored to the OIG's statutory mission, regulatory environment, strategic plan, size, and tolerance for risk. The program, which will be reviewed and updated to ensure its relevance, promises to guide the OIG as it provides oversight of FCA programs and operations.

This reporting period also saw OIG staff work with the FCA records officer and personnel from the National Archives and Records Administration on an update of the OIG's records retention schedule. The updated schedule is expected to be finalized soon, after it has undergone public comment.

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 [our website](#). Reports of peer reviews conducted by our office 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 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 I&E work.

During the reporting period, a team composed of personnel from the U.S. Equal Employment Opportunity Commission and U.S. Department of the Treasury OIGs completed a review of the FCA OIG's I&E function. The review team determined that FCA OIG I&E policies and procedures met all Blue Book standards addressed in the review. The review team also found that the reviewed FCA OIG I&E reports adhered to internal policies and procedures and Blue Book standards. There were no recommendations for corrective action. The [final report](#) was issued on December 17, 2019.

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 *noncompliant*. 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 our 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	
Audit of the Farm Credit Administration's Financial Statements Fiscal Year 2019	\$0	\$0	\$0
2019 Evaluation of the Farm Credit Administration's Compliance with the Federal Information Security Modernization Act	\$0	\$0	\$0
Farm Credit Administration's Criminal Referral Process	\$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 October 1, 2019 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 decisions 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 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:	4	\$0

Tables 8 identifies recommendations made during previous reporting periods for which corrective action had not been completed as of March 31, 2020.

Table 8

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.

Report	Recommendation
OIG 2018 Evaluation of the Farm Credit Administration's Compliance with the Federal Information Security Modernization Act	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.
	4 [The Office of Information Technology] needs to formalize policies and procedures for: <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
	5 [The Office of Information Technology] needs to develop policies and procedures related to preventing data exfiltration.

The following is an index to IG Act reporting requirements.

Section	Description	Page
4(a)(2)	Review of legislation and regulations	12-13
5(a)(1)	Significant problems, abuses, and deficiencies	4-7
5(a)(2)	Recommendations for corrective action	7-8
5(a)(3)	Recommendations described in previous semiannual reports for which corrective action has not been completed	19-20
5(a)(4)	Matters referred to prosecutive authorities	9
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	4-7
5(a)(8)	Management decisions with respect to questioned costs	17
5(a)(9)	Management decisions on recommendations that funds be put to better use	18
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	19
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	14-15
5(a)(16)	Peer reviews conducted by the FCA OIG	14-15
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 2008.⁸

⁸ Pub. L. 110-181 (Jan. 28, 2008).



Farm Credit Administration
Office of Inspector General

**REPORT FRAUD, WASTE, ABUSE, &
MISMANAGEMENT:**

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

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Email: fca-ig-hotline@rcn.com

**Mail: 1501 Farm Credit Drive
McLean, VA 22102-5090**

To learn more about reporting wrongdoing to the OIG, please visit our website at <https://www.fca.gov/about/inspector-general>.