

# Office of Inspector General

## **FISCAL YEAR 2005 PERFORMANCE REPORT**



*January 2006*

## Farm Credit Administration

Office of Inspector General  
1501 Farm Credit Drive  
McLean, Virginia 22102-5090

---



January 10, 2006

The Honorable Nancy C. Pellett  
Chairman  
Farm Credit Administration  
1501 Farm Credit Drive  
McLean, Virginia 22102

Dear Ms. Pellett:

The Government Performance and Results Act of 1993 encourages organizations to manage for results and hold managers accountable for executing programs to achieve desired outcomes. The enclosed report documents the outcomes or impact of the products, services and leadership of the Office of Inspector General (OIG).

The OIG has been successful in its role as an agent for positive change within the Farm Credit Administration (FCA or Agency). The results reflect the commitment that OIG staff has to assisting you, the FCA Board, and FCA employees achieve the Agency's mission of ensuring a safe and sound Farm Credit System that provides a dependable source of credit to farmers and ranchers.

We look forward to continuing to work with you to ensure FCA remains vigilant in its efforts to accomplish its mission. I welcome your comments on ways the OIG can continue to improve our services that help you achieve your goals for FCA operations.

If you have any questions, or concerns, please call me.

Respectfully,

Carl A. Clinefelter  
Inspector General

Enclosure

# TABLE OF CONTENTS

	Page
Executive Summary .....	1
Audits and Inspections .....	2
Investigations .....	5
Legislative and Regulatory Review .....	7
Outreach .....	8
Appendix .....	10

# Farm Credit Administration Office of Inspector General FY 2005 Performance Measures

## EXECUTIVE SUMMARY

The Office of Inspector General (OIG) of the Farm Credit Administration (FCA or Agency) met or exceeded most targets or goals for performance in Fiscal Year (FY) 2005. Goals pertained to:

- audits and inspections,
- technical assistance to Agency officials and management,
- continuous improvement of the OIG staff,
- investigation of administrative and criminal violations,
- reviewing and commenting on legislation and regulations affecting the Agency and the IG community, and
- outreach.

During FY 2005 the OIG issued two program audits: 1) the *Call Report Data Verification* and 2) *Performance Measures and Internal Controls*. The *FY 2004 Audit of the FCA's Financial Statement* was also issued without material findings.

An inspection of *Protection of Credit Card Numbers* was issued, as well as a review of the *Federal Information Security Management Act (FISMA)*. The OIG continued the practice of issuing IG Observations. The purpose of issuing an Observation is to alert Agency officials and managers to new issues, problems or information to aid in decision making. The OIG issued observations on the following topics: Identity Theft, Building Security, Position Evaluation Program, Adherence to Board Policy 64, Suggestions concerning the Proposed Rule on Waiver of Borrower Rights–Syndications, Work-Life Benefits, Notification of impact of legislation concerning privacy of confidential information, and Opt-out provisions for consumers of a rule set forth by the Federal Trade Commission.

OIG products were timely and constructive. Most products addressed risk to the Agency. Over 80% of the products contained recommendations to improve Agency operations. Feedback showed management's satisfaction with OIG products.

Since 1995, the OIG has developed, administered, and collected survey data from the Farm Credit System (FCS or System), following a System institution's examination, for use by the Agency as a feedback mechanism on the quality and effectiveness of the examination function.

A measure of our success is contributing to the Agency's continuous adaptation of sound business practices and basic integrity. We are hopeful that the Agency will continue to show firm commitment to decision making and follow-up to improve operations and programs.

The OIG welcomes comments and suggestions related to performance measurement.

**Farm Credit Administration  
Office of Inspector General  
FY 2005 Performance Measures**

<b>AUDITS AND INSPECTIONS</b>	
<b>Objective—Audit and evaluate the Agency’s programs and operations to promote economy, efficiency and effectiveness.</b>	
<b>Performance Goal 1—Deliver quality audit and inspection products and services that are useful to the Board.</b>	
<b>OUTPUT/CRITERIA</b>	<b>OUTCOME/IMPACT</b>
<p>Audits and inspections are relevant. Audit coverage includes all mandated audits and at least 75% of those suggested by the Board and management. Risk is addressed. 100% of the OIG audits are performed in high risk/high dollar programs and activities and/or are tied to the Agency strategic planning goals.</p> <ul style="list-style-type: none"> <li>▪ OIG contracted with a CPA firm to review FCA’s mission critical systems under the Federal Information Security Management Act (FISMA) and by auditing FCA’s financial statements.</li> </ul> <p>Findings made during audit fieldwork are recognized and corrected by management prior to drafting of the audit or inspection report.</p> <ul style="list-style-type: none"> <li>▪ 8 recommendations and 11 agreed-upon actions remain open: 15 were closed.</li> </ul> <p>Products are timely, i.e., average time to complete audits and issue draft reports will not exceed six months.</p> <p>Audits are constructive. At least 75% of audit products contain recommendations to improve agency operations. The Agency accepts at least 80% of the OIG audit recommendations. The Agency actually implements all corrective actions prescribed by management decisions.</p> <ul style="list-style-type: none"> <li>▪ 100% of audit products contain recommendations to improve agency operations.</li> <li>▪ The Agency accepted 75% of audit recommendations.</li> <li>▪ Audits were performed within 6 months (average).</li> </ul> <p><i>See Appendix for details of audits and inspections.</i></p>	<p>FCA programs and operations are more effective. Waste in Agency programs and operations is reduced. Better business practices are initiated.</p> <ul style="list-style-type: none"> <li>▪ FCA continues to improve and develop mechanisms to streamline budget data to products and services.</li> <li>▪ Unqualified opinion for Agency financial statements. Security of information validated through FISMA review.</li> <li>▪ FCA has a redesign project underway to improve the Loan Account Reporting System. FCA is more inclined to explore E-Government initiatives. These changes are due in part to OIG findings from audit and inspection reports.</li> </ul> <p>FCA is more effective in carrying out its mission.</p> <ul style="list-style-type: none"> <li>▪ The Chairman has taken a broad approach in seeking opportunities to streamline and gain efficiencies. As a result of studies under contract, management has made extensive changes. It is contemplated that this will also eventually result in a comprehensive staffing plan and a solid approach to succession planning.</li> <li>▪ FCA is faced with evaluating the cost effectiveness of the financial management system as well as the adequacy of planning for upgrades and integrated programs.</li> </ul>

**Farm Credit Administration  
Office of Inspector General  
FY 2005 Performance Measures**

<b>AUDITS AND INSPECTIONS</b>	
<b>Objective—Audit and evaluate the Agency’s programs and operations to promote economy, efficiency and effectiveness.</b>	
<b>Performance Goal 2—Provide technical advice and assistance to agency official in developing sound management information and financial reporting systems and in streamlining programs and organizations.</b>	
<b>OUTPUT/CRITERIA</b>	<b>OUTCOME/IMPACT</b>
<p>Assist the Agency in building continuous, meaningful measures with outcomes important to their stakeholders.</p> <p>The IG advises the Chairman concerning policy direction or administrative priorities.</p> <ul style="list-style-type: none"> <li>▪ The OIG conducts an ongoing survey as to the effectiveness of the examination function. The survey is electronic. Results are benchmarked from year to year. The OIG preserves anonymity and integrity of the survey.</li> </ul> <p>The OIG performs analysis and provides technical advice to management concerning accounting, management systems and controls, and performance measures.</p> <ul style="list-style-type: none"> <li>▪ The IG identifies management’s top challenges in the semiannual reports and the Agency’s Performance and Accountability Report.</li> </ul>	<p>OIG input and advice contributes to Agency decisions and actions that are more complete and valid at their inception.</p> <ul style="list-style-type: none"> <li>▪ Advice on governance issues was sought by Board members and senior staff. An OIG Observation resulted in clarification of a Board Policy concerning operations.</li> </ul> <p>Increase in management request for advice, audit work or technical assistance.</p> <ul style="list-style-type: none"> <li>▪ Regularly, management requests the OIG to validate changes in business practices. The OIG is a laboratory of change, a model for best practices. The OIG’s budget preparation, with linkage to performance measures was used as a model for the Agency.</li> <li>▪ The OIG advised the Agency on need for more rigorous controls during project management. It is imperative that management has the appropriate information to make informed decisions.</li> <li>▪ OIG frequently serves as a sounding board and the conscience of the Agency.</li> </ul>

**Farm Credit Administration  
Office of Inspector General  
FY 2005 Performance Measures**

<b>AUDITS AND INSPECTIONS</b>	
<b>Objective—Audit and evaluate the Agency’s programs and operations to promote economy, efficiency and effectiveness.</b>	
<b>Performance Goal 3—Continuous improvement of the OIG staff, products and internal administration. Quality is highly valued.</b>	
<b>OUTPUT/CRITERIA</b>	<b>OUTCOME/IMPACT</b>
<p>Customer survey feedback is used to improve products and services.</p> <ul style="list-style-type: none"> <li>▪ The OIG team is studying ways to develop more feedback for audits, inspections and other reviews as well.</li> </ul> <p>OIG training ensures the technical proficiency of staff.</p> <ul style="list-style-type: none"> <li>▪ The OIG team has taken technical courses to gain proficiencies: A incoming IG took Kolbe assessment and OIG will continue to develop strategies to build a high performance team. Courses attended include: <u><i>Building High Performance Organizations, Professionalism, Substance Abuse &amp; Legal Ethics, BASEL Accord II Seminar, Problem Solving, Practical Kinesic Interviewing &amp; Interrogation, Managing Emotions Under Pressure, Presenting Data and Information, Oversight of Federal Financial Auditing, 14<sup>th</sup> Annual Government Ethics Conference, AGA 15<sup>th</sup> Annual Leadership Conference, IIA Auditing in Government, National Intergovernmental Audit Forum, and President’s Council on Integrity and Efficiency/Executive Council on Integrity and Efficiency (PCIE/ECIE) Retreat.</i></u></li> </ul> <p>In addition, PCIE/ECIE training sessions and legal forums are attended. The OIG team also stays current in FCA operations training courses and strategic management initiatives.</p> <p>OIG implements administrative improvements identified through reviews of Agency programs and through staff involvement with the professional community.</p>	<p>Peer review reports provide an unqualified opinion that the OIG audit work meets or exceeds quality audit standards prescribed by GAO and the PCIE/ECIE.</p> <ul style="list-style-type: none"> <li>▪ OIG website is improved. Most products are made available on line.</li> <li>▪ OIG audit follow-up database is revised and improved, making access and sharing of information much more accessible.</li> </ul> <p>Customer survey feedback evidences satisfaction with report practices.</p> <ul style="list-style-type: none"> <li>▪ OIG seeks feedback on products. Office of Examination (OE) was particularly pleased with innovative PowerPoint presentation of the Call Report Verification audit. The Auditor-in-Charge gave a presentation and demonstration to OE.</li> </ul> <p>The IG’s opportunity to facilitate positive change within the Agency is enhanced by the quality and credibility of OIG products and advice.</p> <ul style="list-style-type: none"> <li>▪ Solving a longstanding situation whereby an anonymous letter writer sought to undermine various management officials brought relief to those troubled by the behavior.</li> <li>▪ PCIE/ECIE honored OIG staff with three Awards of Excellence for work performed during this period.</li> </ul>

**Farm Credit Administration  
Office of Inspector General  
FY 2005 Performance Measures**

<b>INVESTIGATIONS</b>	
<b>Objective—Investigate observed, alleged or suspected wrongdoing to prevent and detect fraud, waste, abuse and mismanagement in agency programs and operations.</b>	
<b>Performance Goal 1—Effectively investigate and report administrative and criminal violations relating to FCA programs and personnel to agency officials and Congress.</b>	
<b>OUTPUT/CRITERIA</b>	<b>OUTCOME/IMPACT</b>
<p>Investigative reports are timely and presented in an objective and factual manner. Memoranda are issued to management describing internal control weaknesses or program deficiencies found during the investigative process with suggestions to prevent and/or detect future wrongdoing.</p> <ul style="list-style-type: none"> <li>▪ One investigation was open at the beginning of FY 2005; five additional investigations were opened during the year. Three were unsubstantiated and closed. One investigation, involving allegations concerning abuse of power and mismanagement were substantiated and resolved. Investigations took from four to eleven months. Another involved a series of anonymous letters. Offenses included impersonating a Federal official and undermining authority. The offending employee was identified by the OIG. The case was substantiated and referred for prosecution; but it was declined.</li> </ul>	<p>Administrative action, convictions or pleas are obtained for employees and/or contractors found guilty of wrongdoing.</p> <p>Management actions taken against employees serve as deterrent to future wrongdoing.</p> <p>FCA internal policies, procedures, and controls are strengthened to prevent and/or detect future wrongdoing.</p> <p>Public confidence in the integrity of FCA programs and internal operations are heightened.</p> <ul style="list-style-type: none"> <li>▪ Investigations involving mismanagement and abuse of power by senior management were developed and forwarded to appropriate officials; subsequently, management changes occurred.</li> </ul>



**Farm Credit Administration  
Office of Inspector General  
FY 2005 Performance Measures**

<b>INVESTIGATIONS</b>	
<b>Objective—Investigate observed, alleged or suspected wrongdoing to prevent and detect fraud, waste, abuse and mismanagement in agency programs and operations.</b>	
<b>Performance Goal 2—Cause FCA employees and managers to recognize their responsibility and report observed or suspected wrongdoing to the OIG.</b>	
<b>OUTPUT/CRITERIA</b>	<b>OUTCOME/IMPACT</b>
<p>Allegations of wrongdoing are received in a timely manner and are supported by specific information.</p> <ul style="list-style-type: none"> <li>▪ Some anonymous complaints are vague, lacking sufficient information to pursue an investigation. As a result, the OIG is developing ways to obtain further information.</li> </ul>	<p>Investigations are more successful because they are initiated in a timely manner and have better information.</p> <ul style="list-style-type: none"> <li>▪ There was a high level of cooperation from senior officials who reported problems to OIG and assisted in pinpointing mismanagement and abuse of power.</li> </ul> <p>FCA employees are more willing to report real or suspected wrongdoing because they trust the competence and fairness of OIG’s investigations.</p> <ul style="list-style-type: none"> <li>▪ OIG receives allegations through the hotline mechanisms and through anonymous correspondence. Agency management notifies the OIG team when anonymous allegations are sent to them.</li> </ul>

**Farm Credit Administration  
Office of Inspector General  
FY 2005 Performance Measures**

<b>LEGISLATIVE AND REGULATORY REVIEW</b>	
<b>Objective—Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations and the Inspectors General Community.</b>	
<b>Performance Goal 1—Maintain an effective program for reviewing and commenting on proposed and existing legislation and regulations affecting the Agency and the IG community.</b>	
<b>OUTPUT/CRITERIA</b>	<b>OUTCOME/IMPACT</b>
<p>Processes are established and documented for identifying and circulating (as appropriate) relevant documents.</p> <ul style="list-style-type: none"> <li>▪ Legislation is tracked on a daily basis. The PCIE/ECIE legislation committee is active in forwarding interest items.</li> </ul> <p>Constructive comments on relevant documents are submitted by the deadlines requested by the office, Agency, or staff circulating comments.</p> <ul style="list-style-type: none"> <li>▪ OIG updated its Privacy Act Routine Uses in order to participate in IG community quality assurance reviews of the investigation program. This new routine use became a model for the ECIE community.</li> </ul>	<p>OIG input is part of the decision making process in approving or amending legislation, regulations, circulars and other policy positions.</p> <ul style="list-style-type: none"> <li>▪ OIG collaborated with the Office of Regulatory Policy to designate points in time when information will be sent to the OIG.</li> </ul> <p>Constructive criticism and creative alternatives offered in OIG comments improve the quality and usefulness of documents initiated by the Agency.</p> <p>FCA Board and management are informed about the status of new or pending legislation or regulations initiated externally.</p> <ul style="list-style-type: none"> <li>▪ ECIE IGs continue to support a legislative effort to have the Program Fraud Civil Remedies Act made applicable to a broader (more than cabinet level) range of agencies.</li> <li>▪ Legislative update and reform is continually considered as a future remedy to outdated provisions in the Farm Credit Act.</li> <li>▪ Review of several regulations: Proposed Rule on Governance; Proposed Rule on Loan Syndication; Proposed Rule on Waiver of Borrower Rights; and Proposed Rule on Liquidity and Investment.</li> </ul>

**Farm Credit Administration  
Office of Inspector General  
FY 2005 Performance Measures**

<b>OUTREACH</b>	
<b>Objective—Work with our agency head and the Congress to improve program management; and work with the Inspectors General community and other related organizations to address government wide issues.</b>	
<b>Performance Goal 1—Promote OIG’s role within the FCA and the community at large.</b>	
<b>OUTPUT/CRITERIA</b>	<b>OUTCOME/IMPACT</b>
<p>Develop and maintain educational brochures or pamphlets describing OIG roles and activities.</p> <p>Facilitate feedback from Agency employees and refine products and practices based on the feedback to OIG products and educational materials.</p>	<p>Agency employees’ acceptance of and cooperation with OIG activities is improved through better understanding. OIG programs and products are improved through feedback from Agency employees.</p> <ul style="list-style-type: none"> <li>▪ OIG updated Strategic Plan brochure form and several Directives.</li> <li>▪ New PowerPoint format used for audit presentation and received well.</li> <li>▪ Hosted event to honor outgoing IG; the three FCA IGs and the Vice Chairman of the ECIE attended.</li> <li>▪ Reaction to OIG Observations is deliberate and quick.</li> </ul> <p>Audit follow-up is improved. Compared to last reporting period, there are seven less open recommendations.</p>

**Farm Credit Administration  
Office of Inspector General  
FY 2005 Performance Measures**

**OUTREACH**

**Objective—Work with our agency head and the Congress to improve program management; and work with the Inspectors General community and other related organizations to address government wide issues.**

**Performance Goal 2—Provide leadership to organizations directly contributing to the IG community, the Agency and the Federal Government.**

OUTPUT/CRITERIA	OUTCOME/IMPACT
<p>Time and resources are provided to OIG staff members as an incentive to contribute to the Agency and outside organizations by serving on committees and holding offices.</p> <ul style="list-style-type: none"> <li>▪ OIG staff actively participated in the ECIE, the Inspection and Evaluation Committee of the ECIE, Association of Government Accountants (AGA), Council of Counsels (CCIG), International Association of Financial Crime, Instructor at the Inspectors General Auditor Training Institute (IGATI), GPRA Roundtable, Employee Council, Council for Excellence in Government, Senior Staff, Accountability Report Workgroup, and Federal Women’s Program Committee.</li> <li>▪ OIG networking opportunities have resulted in an expanded consideration of FCA ideas and practices by community contacts and experts. OIG has shared telecommuting policies, hotline procedures, performance measures and performance contracts and evaluation methods. Likewise, FCA benefits from the opportunity to benchmark practices in other agencies.</li> </ul>	<p>Projects and activities of adjunct organizations such as the AGA, IIA, PCIE/ECIE, CCIG, FLETC, and IGATI are improved by OIG staff contributions and participation.</p> <ul style="list-style-type: none"> <li>▪ Participating in the PCIE working group on inspections and evaluations.</li> <li>▪ Performed Quality Assurance Review on investigation operations of U.S. Government Printing Office.</li> </ul> <p>FCA programs and operations are more effective and efficient.</p> <ul style="list-style-type: none"> <li>▪ OIG has a goal to help the Agency build continuous, better, concrete measures with outcomes important to its stakeholders. This was specifically stressed in the audit of Performance Measures. Implementation occurred immediately.</li> <li>▪ Contractors performing studies for the Agency validate the evaluations by OIG and urge recommendations to be accomplished.</li> <li>▪ OIG assisted the Agency in improving electronic communication by making suggestions to improve the web site and consider more electronic transactions with regulated entities and the public.</li> </ul>

**Farm Credit Administration  
Office of Inspector General  
FY 2005 Performance Measures**

**APPENDIX**

**AUDITS**

<b>AUDIT NAME</b>	<b>AUDITS ARE RELEVANT</b>	<b>RISK IS ADDRESSED</b>	<b>PRODUCTS ARE TIMELY</b>	<b>AUDITS ARE CONSTRUCTIVE</b>	<b>AGENCY ACCEPTS 80%</b>
Call Report Data Verification	OIG initiated	Strategic Plan	6 Months	2 Agree Upon Actions	Accepted all; 0 implemented
FY 2004 Financial Statements	Mandated Annual Audit	Strategic Plan	6 Months	No findings	n/a
Performance Measures and Internal Controls	OIG initiated		5 Months	1 Agreed Upon Action and 2 Recommendations	1 implemented 2 recommendations pending decision

**INSPECTIONS**

<b>INSPECTION NAME</b>	<b>INSPECTIONS ARE RELEVANT</b>	<b>PRODUCTS ARE TIMELY</b>	<b>INSPECTIONS ARE CONSTRUCTIVE</b>	<b>AGENCY ACCEPTS 80%</b>
Protection of Credit Card Numbers	OIG initiated	6 months	3 Agreed Upon Action	3 implemented

**REVIEW**

*Federal Information Security Management Act Review*—Legislatively mandated. Performed in 2 months. No material findings. Reports to OMB as a follow-up.