

**Office of
Inspector General**

**FISCAL YEARS 2012 & 2013
PERFORMANCE REPORT**

January 15, 2014



FARM ♦ CREDIT ♦ ADMINISTRATION

Farm Credit Administration

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



January 15, 2014

The Honorable Jill Long Thompson, Board Chair and Chief Executive Officer
The Honorable Kenneth A. Spearman, Board Member
The Honorable Leland A. Strom, Board Member
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Dear Board Chair Long Thompson and FCA Board Members Spearman and Strom:

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) during fiscal years 2012 and 2013.

The OIG continues to work to enhance its role as an agent for positive change within the Farm Credit Administration. The results reflect the commitment that OIG staff has to assisting the FCA Board and FCA employees in achieving 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 effective in its efforts to accomplish its mission. I welcome your comments on ways to improve OIG services that help you achieve your goals for FCA's operations.

If you have any questions, please call me at extension 4036 or 4030.

Respectfully,

A handwritten signature in black ink that reads 'Elizabeth M. Dean'.

Elizabeth M. Dean
Inspector General

Enclosure

FARM CREDIT ADMINISTRATION
OFFICE OF INSPECTOR GENERAL

FISCAL YEARS 2012 & 2013 PERFORMANCE REPORT

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FARM CREDIT ADMINISTRATION
OFFICE OF INSPECTOR GENERAL

FISCAL YEARS 2012 & 2013 PERFORMANCE REPORT

EXECUTIVE SUMMARY

The Office of Inspector General (OIG) of the Farm Credit Administration met or exceeded most goals for performance in fiscal years (FY) 2012 and 2013. 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 Inspector General community, and
- outreach.

OIG Reports, Advisories, and Observations

The OIG products listed below were timely and constructive while accommodating the priorities of the Agency. Most products addressed risk to the Agency. Many of the products contained recommendations to improve Agency operations.

During the reporting period the OIG issued three program audits:

- *FCA's Contracting Activities*
- *FCA's Telework Program*
- *FCA's Student Loan Repayment Program*

Two financial statement audits were issued:

- *Audit of the FCA's FY 2011 Financial Statements*
- *Audit of the FCA's FY 2012 Financial Statements*

Two evaluations were issued:

- *The Federal Information Security Management Act (FISMA) Evaluation for 2011*
- *The FISMA Evaluation for 2012*

One inspection was issued:

- *FCA's Information Technology Equipment Acquisitions*

One Management Advisory was issued:

- *FCA's Use of Social Media*

The OIG also continued the practice of issuing Inspector General (IG) Observations. An Observation is designed to alert Agency leadership to new issues, problems, or information to aid in decision making. The IG issued an Observation on:

- *The Need for Independent Objective Oversight of the Farm Credit System Insurance Corporation by a Statutorily Designated Inspector General.*

Survey to Gather Feedback on FCA Examination of System Institutions

Since 1995, the OIG has developed, administered, and collected survey data from the Farm Credit System (FCS or System) on the quality and effectiveness of the Agency's examination function and examiners for use by the Chief Examiner and FCA Chairman and Board as a feedback mechanism. During FY 2012-2013, eight quarterly and two annual summary survey reports continued to provide useful feedback, mostly positive.

OIG Contributions to the Federal Inspectors General Community

FCA's Inspector General continued to lead the Inspectors General community as Vice Chairperson of the Council of the Inspectors General on Integrity and Efficiency (CIGIE or Council) until retirement in January 2013. The successor Inspector General, appointed June 19, 2013, is on CIGIE's Legislation Committee, and Inspection and Evaluation Committee, and the Small IG Council.

- The former IG assumed a major role as Vice Chairperson of the CIGIE, a council formed as a result of the passage of the IG Reform Act of 2008. He assisted the Chairperson in planning and carrying out all agenda items and cross cutting projects undertaken by the Council, consisting of all 73 Inspectors General and six other Federal officials. A charter and strategic plan are operational and a fully functioning Council, including various operating committees, permanent staff, and a training institute have enhanced the cohesiveness of the statutory IGs. There is national and international interest by governmental groups to learn and use CIGIE as a model. As a result, presentations on CIGIE were made by the IG at the request of foreign governmental organizations.

A measure of the OIG's success is reflected in OIG's contribution to the Agency's continuous utilization of sound business practices and basic integrity. We are confident the Agency will continue to show firm commitment to the independence of the OIG and to follow-up on OIG report findings, conclusions, and recommendations to improve operations and programs.

The OIG welcomes comments and suggestions related to performance measurement.

AUDITS, INSPECTIONS, AND EVALUATIONS

Objective – Audit and evaluate the Agency’s programs and operations to promote economy, efficiency, and effectiveness.

Performance Goal 1 – Deliver quality audit, inspection, and evaluation products and services that are useful to the Board.

PERFORMANCE MEASURES

Audits, inspections, and evaluations are relevant. Audit coverage includes all mandated audits and at least 75 percent of those suggested by the Board and management. Risk is addressed. One hundred percent of the OIG audits are performed in high risk/high dollar programs and activities and/or are tied to the Agency strategic planning goals.

OIG performed or supervised the following audits, inspections, and evaluations of mission critical operational areas:

- Program Audits:
 - Contracting Activities
 - Telework Program
 - Student Loan Repayment Program
- Inspection:
 - FCA’s Information Technology Acquisitions
- For FY 2011 and FY 2012, OIG contracted with a Certified Public Accountant (CPA) firm to audit FCA’s financial statements.
- During 2011 and 2012, the OIG’s Senior Information Technology (IT) auditor performed the FISMA evaluation.

Products are timely, i.e., average time to complete audits and issue draft reports will not exceed 6 months.

- Draft reports for audits, inspections, and evaluations were issued in less than 6 months (average).

OUTCOME / IMPACT

FCA programs and operations are more effective. Waste in Agency programs and operations is reduced. Better business practices are initiated.

- The OIG found and continued to avail itself of opportunities to save contracting funds by utilizing the Department of the Treasury’s Bureau of the Public Debt contract for financial statement auditing services.
 - Unqualified (unmodified) opinions for Agency financial statements have continued.
- Security of information has been strengthened through FISMA reviews. Recommendations and suggestions made by the IT auditor are readily accepted and addressed.
- FCA developed an information technology action plan to guide the Agency in achieving compliance with the United States Government Configuration Baseline.
- FCA’s management most often agrees with OIG findings and attempts to resolve problems promptly, often before the final report is issued. That is the case with issues identified in the contracting and acquisition audit. Single source, inherently governmental contracts were curtailed, procurement staff was provided additional training, and procurement guidance and oversight was enhanced. In addition, the Designated Agency Ethics Official and contracting office worked to establish clear guidance to prohibit award of contracts to former employees or from a regulated entity.
- As a result of an OIG audit, FCA took a comprehensive look at the Telework program. Practices to track and update telework agreements were arranged. In addition, policies for certain employees were changed to increase attention to Agency mission.

AUDITS, INSPECTIONS, AND EVALUATIONS

Objective – Audit and evaluate the Agency’s programs and operations to promote economy, efficiency, and effectiveness.

Performance Goal 1 (continued) – Deliver quality audit, inspection, and evaluation products and services that are useful to the Board.

PERFORMANCE MEASURES

Audits are constructive. At least 75 percent of audit products contain recommendations or agreed-upon actions to improve Agency operations. The Agency accepts at least 80 percent of the OIG audit action items.

- Not all audits contained action items if the findings did not warrant corrective action. Those audit and inspection products containing recommendations to improve Agency operations have been accepted as agreed-upon actions and are generally addressed within a year. In some cases, Agency management took immediate action for improvement as a result of an OIG suggestion so no formal recommendation was necessary.
- At the close of FY 2013, one agreed-upon action was open. During the 2-year reporting period, the three audits, the inspection, and two FISMA evaluations resulted in fourteen agreed-upon actions. All but one action items have been addressed and closed.

See Appendix (page 13) for details of audits and inspections.

OUTCOME / IMPACT

- As a consequence of an OIG audit uncovering some inefficiency in the Student Loan Repayment Program, there was a decision by management to suspend the program with the idea of developing more efficient and effective incentive programs.
- OIG determined FCA’s information and technology acquisitions were efficient and effective and in compliance with applicable guidelines.

FCA is more effective in carrying out its mission.

- Management’s attention to resolving open OIG recommendations or agreed-upon actions continues to be diligent and, in the majority of instances, resolution occurs rapidly and almost always within a 6-month timeframe.

AUDITS, INSPECTIONS, AND EVALUATIONS

Objective – Audit and evaluate the Agency’s programs and operations to promote economy, efficiency, and effectiveness.

Performance Goal 2 – Provide technical advice and assistance to Agency officials in developing sound management information and financial reporting systems and in streamlining programs and operations.

PERFORMANCE MEASURES

The IG advises the FCA Board concerning policy direction or administrative priorities.

- The OIG, through its audit, inspection, and evaluation reports, provides the FCA Board with recommendations to strengthen Agency operations.
- The IG identifies management’s top challenges in the Agency’s Performance and Accountability Report and the OIG’s semiannual reports.
- IG Observations and management advisories address Agency policy or administrative functions.
- The OIG conducts an ongoing survey of FCS institutions as to the effectiveness of the examination function and examiners. The survey of FCS institutions was revamped in 2006 and is electronic. The OIG preserves the anonymity of respondents and the integrity of the survey.

The OIG performs analyses and provides technical advice to management concerning accounting, management systems and controls, and performance measures.

- The OIG’s contract auditing firm assessed the Agency’s accounting and financial reporting annually, including controls and compliance with laws and regulations. Any recommendations were conveyed to the FCA Board and to the Chief Financial Officer.
- The OIG’s Senior IT Auditor assessed the Agency’s compliance with FISMA. Any recommendations were conveyed to the FCA Board, the Chief Information Officer, and the Director of the Office of Management Services (OMS). In addition, the Senior IT Auditor made suggestions that were readily accepted throughout the evaluation process.

OUTCOME / IMPACT

The OIG input and advice contributes to Agency decisions and actions that are more complete and valid at their inception.

- The OIG contributed by inspiring thought on whether student loan repayment was actually necessary or achieving the intended benefit.
- Management spent considerable time and thought in revising telework policy, in part, based on the OIG audit of the program and the issues that the audit surfaced.
- Examination is an inherently governmental function. As a result of the OIG audit on contracting activities, the practice of re-hiring former FCA examiners as contractors was curtailed.
- OIG did a Management Advisory on Social Media. The Agency does not have a social media presence but is gathering information from other agencies who are actively engaging social media and intends to develop a plan and strategy.
- The Office of the Board sought technical perspective on certain aspects of Agency operations: organizational structure and the need for an IG for the Farm Credit System Insurance Corporation.
- The Office of Management Services continues to strengthen its information security program based on agreed-upon actions identified in OIG’s FISMA evaluation. For example, the Agency implemented an action plan to guide the Agency in achieving compliance with the United States Government Configuration Baseline.

AUDITS, INSPECTIONS, AND EVALUATIONS

Objective – Audit and evaluate the Agency’s programs and operations to promote economy, efficiency, and effectiveness.

Performance Goal 2 (continued) – Provide technical advice and assistance to Agency officials in developing sound management information and financial reporting systems and in streamlining programs and operations.

PERFORMANCE MEASURES

OUTCOME / IMPACT

- The survey conducted by OIG of FCS institutions which have been examined, has been a useful instrument for the Chief Examiner and FCA Board to track quality of examination and examiners.

Increase in management requests for advice, audit work, or technical assistance.

- The OIG is always receptive to management’s requests for audit work or for the OIG’s perspective on FCA operations, whether technical or non-technical in nature.

AUDITS, INSPECTIONS, AND EVALUATIONS

Objective – Audit and evaluate the Agency’s programs and operations to promote economy, efficiency, and effectiveness.

Performance Goal 3 – Continuous improvement of the OIG staff, products, and internal administration. Quality is highly valued.

PERFORMANCE MEASURES	OUTCOME / IMPACT
<p>OIG training ensures the technical proficiency of staff.</p> <ul style="list-style-type: none"> ▪ The OIG team has taken technical courses to gain proficiencies. Courses attended include: <ul style="list-style-type: none"> - <i>OIG Leadership courses</i> - <i>Yellow Book Auditing (Government Accountability Office)</i> - <i>Professionalism, Substance Abuse & Legal Ethics</i> - <i>Federal Audit Executive Council Conference</i> - <i>ISACA seminars and webinars</i> - <i>Federal Audit Executive Committee meetings and conferences</i> - <i>Ethics for Virginia CPAs</i> - <i>Plain Writing Act</i> - <i>Harassment Training</i> - <i>No Fear Act</i> - <i>National Intergovernmental Audit Forum</i> - <i>CIGIE Annual Meeting</i> - <i>FOIA/Privacy Act Training Workshop</i> - <i>Hotline Operator Training Program</i> ▪ In addition, CIGIE training sessions and legal forums are attended. The OIG team also stays current in FCA operations and strategic management initiatives. <p>The OIG implements administrative improvements identified through reviews of Agency programs and through staff involvement with the professional community.</p> <ul style="list-style-type: none"> ▪ The OIG website is continually improved and kept current. As required by the Consolidated Appropriation Act, Pub.L.110-161, the OIG maintains an email list for those who wish to receive notification when OIG reports are posted to the Agency’s website. There is a direct link to the OIG on the Agency homepage. 	<p>Peer review reports provide an unqualified opinion that the OIG audit function meets or exceeds quality audit standards prescribed by the U.S. Government Accountability Office (GAO) and CIGIE.</p> <ul style="list-style-type: none"> ▪ The U.S. Architect of the Capital OIG conducted a peer review of the FCA OIG audit function in July 2013 and found full compliance with GAO and CIGIE auditing standards. ▪ OIG’s audit team completed a peer review of the U.S. International Trade Commission in January 2013. ▪ The IG’s opportunity to facilitate positive change within the Agency is enhanced by the quality and credibility of OIG products and advice. ▪ Management seeks and listens to the OIG’s views on issues. ▪ OIG staff members receive recognition through awards from the CIGIE community. ▪ The OIG provides sound opinions for the Office of the Board on aspects of Agency operations. ▪ The quarterly reports on the OIG’s survey of FCS institutions relative to the Agency’s examination function provide Agency management with quantitative and narrative feedback that assists in facilitating positive change. <p>Audit, inspection, and other reports are almost always made public upon issuance and the OIG uses an email mechanism to alert those on the mailing list of new publications.</p>

INVESTIGATIONS

Objective – Investigate observed, alleged, or suspected wrongdoing to prevent and detect fraud, waste, abuse, and mismanagement in Agency programs and operations.

Performance Goal 1 – Effectively investigate and report administrative and criminal violations relating to FCA programs and personnel to Agency officials, the Attorney General (when appropriate), and Congress.

PERFORMANCE MEASURES

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.

- There were no investigations with substantiated findings during FYs 2012 and 2013. The OIG is notified of missing equipment if it contains personally identifiable information. OIG coordinates with law enforcement when warranted.

OUTCOME / IMPACT

Administrative actions, convictions, or pleas are sought for employees and/or contractors found guilty of wrongdoing.

Management actions taken against employees serve as deterrent to future wrongdoing.

FCA internal policies, procedures, and controls are strengthened to prevent and/or detect future wrongdoing.

- Policies and procedures involving loss of equipment have been strengthened.
- FCA managers are alerted to employee misconduct for expeditious action.

Public confidence in the integrity of FCA programs and internal operations is heightened.

INVESTIGATIONS

Objective – Investigate observed, alleged, or suspected wrongdoing to prevent and detect fraud, waste, abuse, and mismanagement in Agency programs and operations.

Performance Goal 2 – Cause FCA employees and managers to recognize their responsibility and report observed or suspected wrongdoing to the OIG.

PERFORMANCE MEASURES

Allegations of wrongdoing are received in a timely manner and are supported by specific information.

- The OIG has a secure email hotline, fca-ig-hotline@rcn.com and phone numbers 703-883-4316 and 800-437-7322.
- Follow-up by OIG and appropriate forwarding to other Agency offices.

OUTCOME / IMPACT

Investigations are more successful because they are initiated in a timely manner and have better information.

- Several hotline complaints were referred to the Office of Congressional and Public Affairs, and the Office of Examination. OIG assisted FCA examiners in referring suspected fraud to the Department of Agriculture OIG investigators. The Office of Personnel Management referred an allegation to FCA OIG for review and follow-up.

FCA employees are more willing to report real or suspected wrongdoing because they trust the competence, fairness, and confidentiality of OIG's investigations.

- The IG and Deputy IG made presentations to new employees regarding their responsibility to report observed or suspected fraud, waste, abuse of authority, mismanagement, or other wrongdoing.

LEGISLATIVE AND REGULATORY REVIEW

Objective – Review and make recommendations regarding existing and proposed legislation and regulations relating to Agency programs and operations and the Inspectors General Community.

Performance Goal 1 – Maintain an effective program for reviewing and commenting on proposed and existing legislation and regulations affecting the Agency and the Inspectors General Community.

PERFORMANCE MEASURES

Processes are established and documented for identifying and circulating (as appropriate) relevant documents.

- Legislation and proposed rules are tracked on a regular basis.
- The CIGIE Legislation Committee is active in forwarding interest items.

Constructive comments on relevant documents are submitted by the deadlines requested by the office, Agency, or staff circulating comments.

OUTCOME / IMPACT

The OIG input is part of the decision-making process in approving or amending legislation, regulations, circulars, and other policy positions.

- The OIG established a collaborative process with FCA's Office of Regulatory Policy to designate points in time when information on regulations and briefings will be sent to the OIG for review.

Constructive criticism and creative alternatives offered in OIG comments improve the quality and usefulness of documents issued by the Agency.

FCA Board and management are informed about the status of new or pending legislation or regulations initiated externally.

- A management advisory summarized the relevant Congressional and Administration's initiatives to decrease spending on conferences.
- Legislative update and reform is continually considered as a future remedy to outdated provisions in the Farm Credit Act.

Regulations reviewed by OIG are noted in the OIG's semiannual reports to Congress.

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 1 – Promote OIG’s role within the FCA and the community at large.

PERFORMANCE MEASURES	OUTCOME / IMPACT
<p>Develop and maintain educational brochures or pamphlets describing OIG roles and activities.</p> <ul style="list-style-type: none"> ▪ Examples include: Strategic Planning brochure, The IG at FCA pamphlet, FCA Orientation PowerPoint presentation, and input into the CIGIE Annual Report to the President. <p>Facilitate feedback from Agency employees and refine products and practices based on the feedback to OIG products and educational materials.</p> <ul style="list-style-type: none"> ▪ The OIG would be receptive to any and all feedback received from Agency management and staff regarding OIG practices and products. 	<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"> ▪ OIG updates Directives periodically. ▪ Developed PowerPoint presentation on the OIG at FCA for web use and for new employee training. ▪ Reaction to IG Observations and Management Advisories has been positive. <p>Audit follow-up is improved.</p> <ul style="list-style-type: none"> ▪ Agreed-upon actions are implemented more expeditiously. Rarely does an action take more than six months to clear. <p>Responded to Congressional Request (Rep. Issa) inquiries about “unimplemented recommendations,” and to Senators Grassley’s and Coburn’s biannual requests for information. OIG also responded to committee requests for review of the Agency’s climate control/sustainability status.</p>

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 Inspectors General community, the Agency, and the Federal Government.

PERFORMANCE MEASURES

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.

- OIG staff actively participated in CIGIE: IG was the Vice Chairperson of CIGIE. The IG was a member of the Executive Council of CIGIE. The IG and staff participated on the Inspection and Evaluation Council of CIGIE, Association of Government Accountants (AGA), Deputy Inspectors General Quarterly meetings, Council of Counsels (CCIG), CIGIE Federal Audit Executive Committee (FAEC), CIGIE FAEC IT Committee, Instructor at the Federal Law Enforcement Training Center, Federal Women’s Program Committee, Blacks In Government, Administrative Burden Reduction Workgroup, and the Combined Federal Campaign.

OIG networking opportunities have resulted in an expanded consideration of FCA ideas and practices by community contacts and experts. The 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.

OUTCOME / IMPACT

Projects and activities of adjunct organizations such as the AGA, the Institute of Internal Auditors, CIGIE Training Institute and CCIG meetings and forums are improved by OIG staff contributions and participation.

- IG as Vice Chair of the CIGIE, along with the Chair led monthly meetings of the Council and Executive Council.
- OIG participates in the CIGIE working group on inspections and evaluations. The group collaborates and shares common areas for inspection and evaluation work.
- The IG frequently made presentations on the IG Reform Act and CIGIE to organizations and international groups.
- OIG auditors performed a peer review of the audit program of the U.S. International Trade Commission and made recommendations to improve their audit operations.
- An OIG auditor actively participates in the FAEC IT Committee. This subcommittee worked with the Office of Management and Budget to revise the performance metrics for FISMA reporting by OIGs.
- An OIG auditor participated on an administrative workgroup charged with setting up the infrastructure for CIGIE operations which included developing business, financial and staffing plans; and acquiring business services, office space, IT equipment and services, and telecommunications.
- An OIG auditor developed a draft security program for the CIGIE.

FCA programs and operations are more effective and efficient.

- The Project on Government Oversight has previously recognized FCA OIG for its effective performance reporting.

APPENDIX

AUDITS

AUDIT NAME	AUDITS ARE RELEVANT	RISK ADDRESSED	PRODUCTS ARE TIMELY	AUDITS ARE CONSTRUCTIVE	AGENCY ACCEPTS ≥ 80 %
FCA Contracting Activities	OIG Initiated	Strategic Plan	9 Months	7 Agreed-Upon Actions	100% Accepted
FCA's Telework Program	OIG Initiated	Strategic Plan	4 Months	3 Agreed-Upon Actions	100% Accepted
FY 2011 and 2012 Financial Statements (Issued in FYs 2012 and 2013)	Legislatively Mandated Annual Audit	Strategic Plan	6 Months	No Action Items	N/A

INSPECTIONS

FCA's Information Technology Equipment Acquisitions	Requested by FCA Board Chair	Strategic Plan	4 Months	4 Agreed-Upon Actions	100% Accepted
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EVALUATIONS

Federal Information Security Management Act Evaluation for FY 2011 and 2012 (Issued in FYs 2012 and 2013)	Legislatively Mandated	Strategic Plan	2 Months	No Action Items	N/A
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