

Semiannual Report to the Congress

October 1, 2014 through March 31, 2015



FARM CREDIT ADMINISTRATION

OFFICE OF INSPECTOR

GENERAL

Farm Credit Administration

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



April 21, 2015

The Honorable Kenneth A. Spearman, Board Chairman
The Honorable Dallas P. Tonsager, Board Member
The Honorable Jeffery S. Hall, Board Member
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Dear Board Chairman Spearman and FCA Board Members Tonsager and Hall:

Enclosed is the semiannual report on the activities of the Farm Credit Administration's (FCA or Agency) Office of Inspector General (OIG) for the period October 1, 2014 through March 31, 2015. This is the fifty-second report since the establishment of the OIG on January 22, 1989.

I submit this report in accordance with the Inspector General Act of 1978, as amended (IG Act). Section 5(b) of the IG Act requires that the FCA Board send this report to the appropriate Congressional committees and subcommittees within 30 days after the date of this transmittal, accompanied by management's report on the status of audit, inspection, and/or evaluation action items.

I would like to thank outgoing Board Chair Jill Long Thompson and Board Member Leland Strom for their sustained support of the OIG's work. Moreover, I congratulate Kenneth Spearman on his appointment as Chairman of the FCA Board, as well as welcoming Board Member Dallas Tonsager and Board Member Jeffery Hall. I look forward to a harmonious and productive relationship.

This reporting period, the OIG has experienced additional transitions regarding our personnel. In October, our Administrative Assistant retired. We transitioned the position to a Management/Program Analyst in October; we currently have a staff of six professionals.

The OIG is diligent in keeping to its core mission of conducting independent audits, investigations, and reviews to improve the Agency's efficiencies and effectiveness. We issued two program audit reports during this reporting period: one on FCA's Special Supervision and Enforcement processes and the second on FCA's Commissioning Program.

For the six-month period, there were 13 agreed-upon actions implemented, with 1 closed as of March 31, 2015. Please refer to pages 8-11 of the report for more information. We also initiated an audit on mobile device cost controls at FCA and the FY 2015 Financial Statement Audit of FCA. Please refer to page 12 of the report for further information.

We initiated a contract with Harper, Rains, Knight & Company for the FY 2014 Financial Statement Audit of FCA. This audit was overseen by the OIG and completed during this

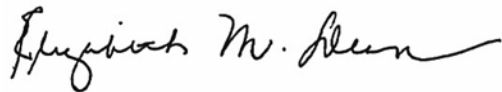
reporting period. The audit resulted in an unmodified opinion. Please refer to page 8 for additional information. Also, the OIG's annual evaluation of the Agency's compliance with the Federal Information Security Management Act was completed. This annual evaluation is conducted by the OIG's Senior Information Technology Auditor, and the report was issued on November 14, 2014. There was one agreed-upon action as a result of this evaluation, which was resolved. Please refer to page 9 for further information.

The OIG continues to send surveys to the Farm Credit System institutions following regulatory safety and soundness examinations and other interactions with the FCA Office of Examination (OE). Three surveys were issued this reporting period. The results of the surveys, evaluating the quality of the examination work and OE interactions, are summarized without attribution on a quarterly basis. The FCA Board and OE have found this to be a valuable measuring tool.

I would like to acknowledge FCA management's positive and timely reaction to our work. I look forward to continuing a responsive and effective relationship between the OIG and the FCA Board, a partnership striving continuously to strengthen FCA operations.

If you have any questions, please call me at 703-883-4036 or 4030.

Sincerely,

A handwritten signature in cursive script, reading "Elizabeth M. Dean". The signature is written in black ink and is positioned above the typed name.

Elizabeth M. Dean
Inspector General

Enclosure

Table of Contents

Message from the Inspector General	1
Background	2
Strategic Goals.....	4
Audits, Inspections, and Evaluations	7
REPORTS ISSUED.....	7
AUDITS AND EVALUATIONS IN PROCESS	12
STATUS OF AGREED-UPON ACTIONS AND RECOMMENDATIONS.....	13
Other Reports.....	14
QUARTERLY SURVEY OF FARM CREDIT SYSTEM INSTITUTIONS.....	14
MANAGEMENT ADVISORY REPORTS	15
Investigations.....	16
Legislative and Regulatory Reviews.....	18
Congressional Interaction.....	20
Outreach	21
OIG Staff	22
Other Activities	23
Annex	24
Appendix A	25
Appendix B	26
Appendix C.....	27
Appendix D.....	28
Appendix E	29
Appendix F	30
Appendix G.....	31
Appendix H.....	32



Message from the Inspector General

I am pleased to submit this Semiannual Report to the Congress. This report summarizes the activities and accomplishments of the Farm Credit Administration's (FCA or Agency) Office of Inspector General (OIG) for the period October 1, 2014 through March 31, 2015. The OIG's efforts were directed toward implementing the OIG's Fiscal Year (FY) 2015 strategic and operating plan and budget; performing audits, inspections, and evaluations of FCA programs and operations; conducting investigations; reviewing existing and proposed legislation and regulations relating to Agency programs and the IG community; and providing objective, independent reporting and counsel to the FCA Board on FCA programs and operations.

The OIG issued four audits and evaluations during this reporting period. Additionally, the OIG issued 26 surveys to FCS institutions, designed to review the quality of mission fulfillment. Three survey reports summarizing survey results were delivered to the Chief Examiner and FCA Board. We contracted with Harper, Rains, Knight & Company, P.A. to perform the audit of FCA's financial statements for FY 2014, which was issued in November 2014. We completed the OIG's annual evaluation of the Agency's compliance with the Federal Information Security Management Act (FISMA) and issued the report in November 2014. We also completed program audits of: FCA's Special Supervision and Enforcement Processes, and FCA's Commissioning Program. During this period, the OIG also initiated new audits on mobile devices and the FY 2015 Financial Statement Audit.

I would like to acknowledge the effective efforts of the talented OIG staff in diplomatically leading Agency management to focus on significant program issues. In conjunction, FCA management was positive and timely in reacting and making improvements. I look forward to continuing a positive and effective relationship between the OIG and the FCA Board, a partnership striving to continuously strengthen FCA operations.

Elizabeth M. Allen

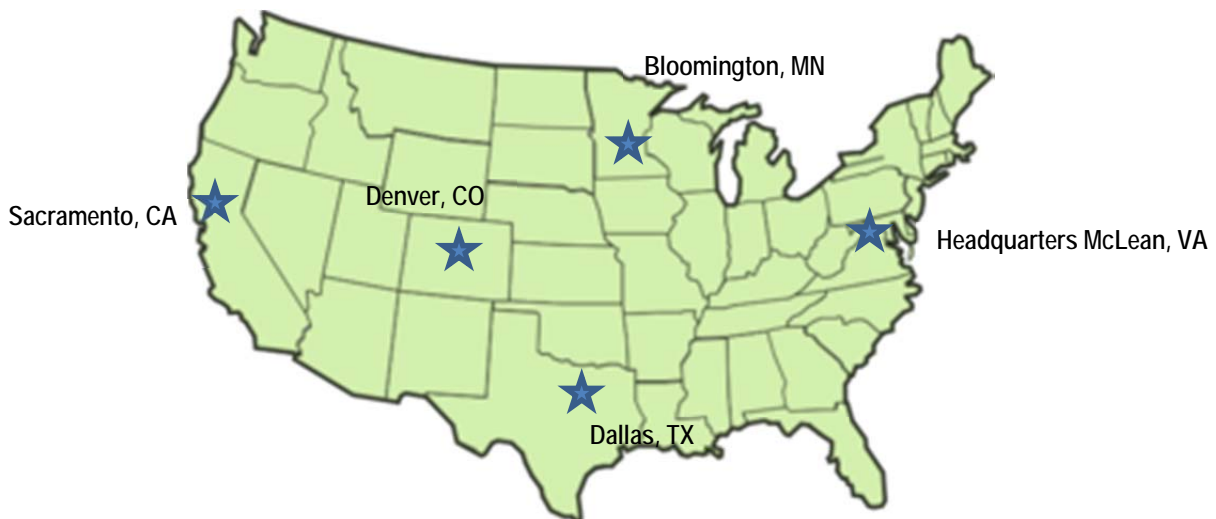


FARM CREDIT ADMINISTRATION

The Farm Credit Administration (FCA or Agency) is an independent Federal agency of the United States government responsible for the regulation and examination of Farm Credit System (FCS or System) institutions chartered under the Farm Credit Act of 1971, as amended (Farm Credit Act).

As a non-appropriated agency, FCA funds its expenses primarily through assessments to the institutions it regulates. FCA's Fiscal Year 2015 budget is \$65,600,000. Assessments by FCA to FCS institutions are \$54,500,000 with other sources of funding totaling \$10,600,000.

At the end of the prior semiannual reporting period, the Agency had 286 employees. At the end of this reporting period, FCA had 284 employees, about half of which are examiners located in five field offices.



FARM CREDIT SYSTEM

The FCS is a Government-sponsored enterprise comprised of 3 Farm Credit banks, 1 Agricultural Credit Bank, and 76 lending associations in all 50 states and Puerto Rico that primarily make loans to agriculture. The System raises funds by selling securities in the national and international money markets through its special purpose entity, the Federal Farm Credit Banks Funding Corporation. These securities are not guaranteed by the U.S. Government.

The Federal Agricultural Mortgage Corporation (Farmer Mac), also a part of the FCS, is chartered by the Federal government to provide a secondary market for agricultural mortgage loans. Farmer Mac is publicly traded and issues its own debt securities. Additionally, there are five active service corporations that provide services to FCS entities and eligible borrowers.

OFFICE OF INSPECTOR GENERAL

The mission of the Office of Inspector General (OIG) is to be an agent of positive change, striving for continual improvement in FCA's management and program operations. The Inspector General Act of 1978, as amended, established the OIG in 1989.

The Inspector General is appointed by the FCA Board without regard to political affiliation and solely based on integrity and demonstrated ability in accounting, auditing, financial analysis, management analysis, investigations, law, or public administration. The OIG's FY 2015 budget is \$1,445,925.

While the OIG is under the general supervision of the FCA Board, it operates with independent personnel and contracting and budget authority. The Inspector General reports both to the FCA Board and to the Congress.

The OIG has four major components: audits, inspections, and evaluations of programs and operations; investigations; legislative and regulatory reviews; and outreach.



Strategic Goals

To accomplish our mission, the OIG has eight strategic goals in place that are aligned to FCA's mission, programs, and activities (see the [OIG's Strategic and Operating Performance Plan](#) for additional information). The following list summarizes our eight strategic goals and related outcomes during this reporting period.

Strategic Goal 1:

Deliver quality audit, inspection, and evaluation products and services that are useful to the FCA Board, management, and the Congress.

In pursuit of this goal, the OIG continues to provide quality reports to FCA management for improvement to programs. The OIG initiates a risk-based approach to FCA programs in determining the workload plan. During this reporting period, we issued three audit reports and one evaluation report. The reports were directly related to FCA's oversight and supervision of the regulated FCS institutions, FCA training of examiners and FCA monitoring of information security. The issued reports were timely and constructive to improve Agency operations. As a result of our work, thirteen recommendations related to the examination, supervision and continuous IT monitoring were made to FCA management. Of these recommendations, all thirteen were agreed-upon, and three recommendations involving FCA conference and training expenses were closed from prior reporting periods. We also have two ongoing audits to promote effectiveness and efficiency.

Strategic 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.

The OIG provides technical advice to management in a variety of methods. For this reporting period, the OIG issued one management advisory to the FCA Board. The advisory report was issued to recommend that FCA consider how the Agency might use suspension and debarment mechanisms to protect government interests in procurement actions. The OIG also presented at the January 2015 Farm Credit System Insurance Corporation (FCSIC) Audit Committee meeting to discuss the need for IG oversight of FCSIC. The Inspector General also communicates with the Board on a regular basis on issues facing FCA, which provides an opportunity for discussion of relevant topics.

Strategic Goal 3:

Continuous improvement of the OIG staff, products, and internal office administration. Quality is highly valued.

The OIG continuously works to improve internal staff and processes. All OIG staff maintain requirements for their related professional standards. We participate in a peer review every three years, and we received a pass rating during our last peer review in June 2013. The OIG conducts an annual quality assurance review on the audit function and assesses internal controls on a continuous basis.

Strategic Goal 4:

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

The IG Counsel performs the investigative function for the OIG. For this reporting period, three reports of investigation were issued. Five investigations were closed, and there are currently two preliminary investigations at the end of the reporting period. We received eight allegations from the OIG Hotline during the October to March timeframe. All eight complaints were closed or referred to other Federal agencies as they involved matters outside OIG's jurisdiction.

Strategic Goal 5:

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

The OIG recognizes the importance of employees and managers reporting, and the OIG reacting, to suspected or observed wrongdoing. During this reporting period, we updated the OIG Hotline poster and distributed it throughout the Agency. Hotline information is prominent in reports and publications. In addition, we are in the process of completing a fraud awareness briefing. This briefing will be used to educate FCA employees on fraudulent actions and potential indicators of fraud.

Strategic Goal 6:

Maintain an effective program for reviewing and commenting on proposed and existing legislation and regulations affecting the Agency and the IG community.

Reviewing and commenting on proposed and existing legislation and regulations affecting FCA and the IG community remain an important area for the OIG. During this reporting period, we reviewed 15 items under the following categories: legislation, proposed rule, final rule, and informational memorandum.

Strategic Goal 7:

Promote OIG's role within the FCA and the community at large.

Outreach and communication are essential to the OIG's role. We briefed incoming Board members on the OIG role and activities. The OIG briefs incoming employees annually at FCA's new employee orientation. For this reporting period, the IG also briefed the Farm Credit System Insurance Corporation on the need for IG oversight.

Strategic Goal 8:

Provide leadership to organizations directly contributing to the IG community, the Agency, and the Federal government.

OIG staff participate in workgroups, conferences, and training related to the IG community, FCA, and the Federal government. The IG is a member of the Executive, Legislation, and Inspection and Evaluation Committees of the Council of Inspectors General on Integrity and Efficiency (CIGIE). The CIGIE Legislative Committee has engaged in several responses to legislative efforts and congressional hearings. The Counsel is Vice-Chair of CIGIE's Council of Counsels. The auditors are involved with CIGIE, the FAEC, and the Inspection and Evaluation Roundtable.

Audits, Inspections, and Evaluations

REPORTS ISSUED

This reporting period, the OIG continued to provide FCA with high quality products. We issued four audit and evaluation reports with thirteen agreed-upon actions. We also have two in-process audits, both initiated during this six-month period. The OIG also issued 26 surveys to FCS institutions and issued three reports, summarizing the survey results, to the Chief Examiner and FCA Board. The reports summarize stakeholder opinions on the quality and issues involved in mission execution. Lastly, one Management Advisory was issued to the FCA Board.



The OIG conducts all audits in accordance with Government Auditing Standards issued by the Comptroller General of the United States for audits of Federal organizations, programs, activities, and functions. Inspections and evaluations are conducted in accordance with the CIGIE Quality Standards for Inspections.

Copies of most OIG reports are available on our web site at www.fca.gov/home/inspector.html, or by contacting the OIG at (703) 883-4030, or by e-mail at ig_information@fca.gov. We offer a free e-mail subscription service that provides automatic notification by e-mail when new report or other information is posted to the OIG website. Go to <http://apps.fca.gov/subscribeOIG/>, provide your email, and click join the list.

Audits, Inspections, and Evaluations

Audit of FCA's Financial Statements Fiscal Year 2014

The OIG contracted with Harper, Rains, Knight & Company, P.A., an independent public accounting firm, and oversaw the audit of FCA's financial statements for FY 2014. Harper, Rains, Knight & Company completed the audit and issued an unmodified opinion in November 2014.

In the auditor's opinion, FCA's principal financial statements present fairly, in all material respects, the financial position of the Agency as of the FY ended September 30, 2014, in conformity with generally accepted accounting principles.

Harper, Rains, Knight & Company considered FCA's internal control over financial reporting to determine the audit procedures for the purpose of expressing an opinion on the financial statements. The auditors did not express an opinion on the effectiveness of FCA's internal controls; however, they did not identify any deficiencies considered to be a material weakness.

The auditors performed tests of FCA's compliance with selected provisions of laws and regulations that could have a direct and material effect on the financial statements. Although they did not express an opinion on compliance with those provisions, they did not identify any instances of noncompliance or other matters required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States or the Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*.

The final report was issued on November 13, 2014.

Audits, Inspections, and Evaluations

[OIG 2014 Evaluation of the Farm Credit Administration's Compliance with the Federal Information Security Management Act](#)

The Federal Information Security Management Act (FISMA) of 2002 requires an agency's Chief Information Officer and OIG to conduct annual assessments of the agency's information security program. The purpose of FISMA was to strengthen the security of the Federal government's information systems and develop minimum standards for agency systems.

The OIG completed the 2014 independent evaluation of FCA's compliance with FISMA during this reporting period. The evaluation found that FCA's Chief Information Officer and experienced IT team are proactive in their approach to information security.

OMB required OIGs to evaluate 11 areas during 2014:



FCA established a program in 10 of the areas that is consistent with National Institute of Standards and Technology's (NIST) and OMB's guidelines. One area, continuous monitoring, was identified where improvements needed to be made. FCA agreed to the following action:

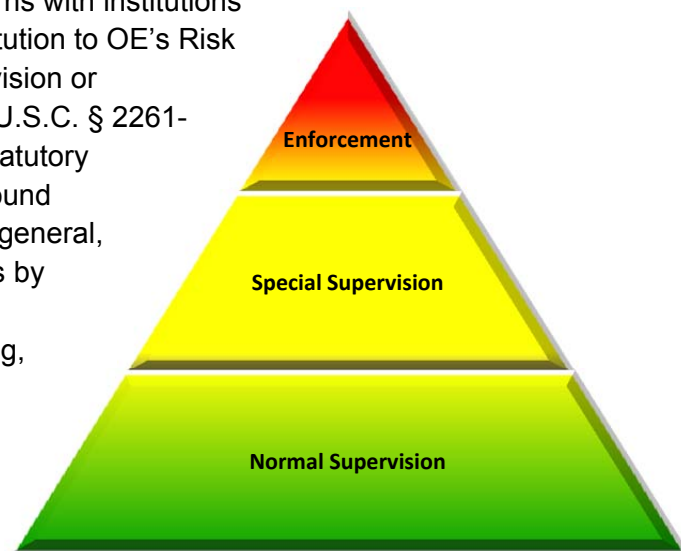
- Define, document, and implement an enterprise-wide information security continuous monitoring program consistent with OMB policy and NIST guidelines.

The final report was issued on November 14, 2014. In March 2015, the Agency provided their information security continuous monitoring strategy and implementation plan.

Audits, Inspections, and Evaluations

Farm Credit Administration's Special Supervision and Enforcement Processes

FCA regulates and supervises System institutions. FCA's Office of Examination (OE) conducts examinations of FCS banks and associations to ensure their safety, soundness, and compliance with laws and regulations. If examiners identify concerns with institutions through examination activities, they may refer the institution to OE's Risk Supervision Division (RSD) for possible special supervision or enforcement actions. Sections 5.25 through 5.38 (12 U.S.C. § 2261-2274) of the Farm Credit Act, provides the FCA with statutory enforcement authorities to take action for unsafe, unsound practices or for violations of law, rule or regulation. In general, there are three levels of supervision of FCS institutions by FCA: normal supervision, special supervision, and enforcement. Each level provides increased monitoring, communication, and involvement with the institution.



Our objective was to determine whether FCA is following the special supervision and enforcement processes and monitoring institution compliance effectively. Overall, FCA is generally following the processes and monitoring compliance. We found the Watch List utilized by OE is effective, identification and escalation of concerns were appropriate, complexity and length of actions are correlated, and persistent involvement and communication leads to corrective action. We also identified opportunities to improve or modify the processes through increasing staff readiness; ensuring institutions adhere to the criminal referral process requirements; and expanding or changing directives and/or processes.

As a result of our audit, OE agreed to:

- Develop a training program for special supervision and enforcement actions to ensure the organization has the knowledge to react to the changing FCS environment.
- Emphasize the requirement of FCA Regulation 612, Subpart B, and provide training and/or education to examiners on the role and responsibility FCA has regarding the criminal referral form and to ensure institutions are filing the form as required.
- Address the use of informal ratings and other supervisory letters by either expanding or changing current directives and/or processes to include when they are appropriate and how they will be used.

The final report was issued on March 31, 2015.

Audits, Inspections, and Evaluations

Farm Credit Administration's Commissioning Program

A commission is a designation to signify that an FCA examiner is qualified to examine FCS institutions. The Commissioning Program consists of specific training, on-the-job work experience, and testing. Commissioning Program requirements are aligned with essential OE knowledge, skills, tasks, and performance attributes, which are updated periodically to reflect current examination responsibilities. The objective of this audit was to determine whether FCA is effectively managing the Commissioning Program.

Our audit revealed opportunities for improvement and efficiency in the Commissioning Program. As a result of our audit, OE agreed to:

- Identify and track specific commissioning costs to evaluate the cost of the program and identify cost-saving opportunities and consider timekeeping code revisions, with Office of Management Services (OMS) assistance in implementation.
- Establish a process to verify time charged by Associate Examiners complies with work performed and timekeeping guidance.
- Analyze the costs and benefits of streamlining and consolidating current testing and assessment milestones through the elimination of the final Commissioning Test simulations.

OE and OMS agreed to:

- Establish a plan to compete Commissioning Program contractor services to manage risks of reliance on one source and ensure the best value to the Agency.
- Ensure current Commissioning Program contracts are well-defined in regards to general and administrative and hourly rates.
- Ensure the invoice approval process for the Commissioning Program covers the requirements of the contract and review by all Agency personnel necessary to verify work performed before approval and payment.
- Assess strategies to identify the cause of hiring shortfalls and employee attrition to meet commissioned examiner goals and maximize Agency investments.
- Evaluate opportunities to implement Service Agreements or another type of comparable reimbursement arrangement to protect Agency investments in Commissioning Program training and certification.
- Revise processes to provide feedback to every Associate Examiner on Technical Evaluations and Commissioning Test multiple-choice test performance.

The final report was issued on March 31, 2015.

AUDITS AND EVALUATIONS IN PROCESS

Audit of FCA's Financial Statements Fiscal Year 2015

The Accountability of Tax Dollars Act of 2002 requires FCA and certain other agencies to submit to the Congress and OMB an audited financial statement each fiscal year.

In continuing to assist the Agency in meeting these requirements, the OIG contracted with Harper, Rains, Knight & Company, P.A. to perform the audit of FCA's financial statements for FY 2015. Harper, Rains, Knight & Company also completed the FY 2014 Financial Statement Audit, issued in November 2014.

Officials from Harper, Rains, Knight & Company, OIG, and FCA attended the entrance conference held on February 24, 2015. The audit remained ongoing at the end of this reporting period.

Mobile Device Cost Controls at FCA

In carrying out FCA's mission, many Agency employees spend a significant amount of time traveling or away from their offices. In today's technological environment, the FCA keeps employees connected by leveraging technology to increase efficiency and communication. Mobile devices such as smartphones and tablets are one of the tools the Agency uses to keep employees connected to its' information systems and each other.

The objective of this audit is to determine whether FCA has implemented effective cost controls for mobile devices and related services. The audit began in January 2015 and is ongoing as of the end of the reporting period.

Audits, Inspections, and Evaluations

STATUS OF AGREED-UPON ACTIONS AND RECOMMENDATIONS

In total, there were thirteen agreed-upon actions added from three issued reports for the reporting period. We had three actions open at the beginning of the period to carry over. As of March 31, 2015, twelve agreed-upon actions remain open.

Audit, Inspection, and Evaluation Agreed-Up on Actions				
Report	Issued	Open During this 6-Month Period	Final Management Actions During this Period	Open on 3/31/2015
FCA's Training and Conference Expenses	9/22/2014	0	3	0
Federal Information Security Management Act 2014 Evaluation	11/14/2014	1	1	0
FCA's Enforcement and Special Supervision Processes	3/31/2015	3	0	3
FCA's Commissioning Program	3/31/2015	9	0	9
<i>Total</i>		13	4	12

QUARTERLY SURVEY OF FARM CREDIT SYSTEM INSTITUTIONS

The OIG administers an ongoing survey of FCS institutions regarding the quality and consistency of the Agency's examination function and the examiners performing the main mission functions. The OIG issues a quarterly report and, at the end of each fiscal year, a summary report on the surveys' results to the Chief Examiner and the FCA Board.

Third Quarter Fiscal Year 2014 Farm Credit System Survey

In July 2014, the OIG issued 11 surveys to FCS institutions relevant to the examination program during the third quarter of FY 2014. Of those issued the surveys, six responded. There were two responses for the second quarter that were received and included in the report. The OIG issued the summary report in October 2014 to the Chief Examiner and the FCA Board.

Fourth Quarter and Fiscal Year 2014 Summary, Farm Credit System Survey

In October 2014, the OIG issued 16 surveys to FCS institutions relevant to the examination program during the fourth quarter of FY 2014. Of those issued the surveys, 12 responded. There were two responses from the third quarter that were received and included in the report. The OIG issued the summary report in January 2015 to the Chief Examiner and the FCA Board.

First Quarter Fiscal Year 2014 Farm Credit System Survey

In February 2015, 10 surveys were issued to FCS institutions relevant to the examination program during the first quarter of FY 2015. Of those issued the surveys, eight responded. The OIG issued the summary report to the Chief Examiner and the FCA Board in March 2015.

MANAGEMENT ADVISORY REPORTS

The OIG Management Advisory Reports are designed to be a quick mechanism to offer the Agency head and management suggestions on ways to strengthen Agency operations.

During this reporting period, the OIG issued one management advisory to the FCA Board:

- On December 18, 2014, Board members were advised of the need for a suspension and debarment policy that would enhance FCA's ability to expediently review and refer cases to another Federal agency for suspension and debarment proceedings, when appropriate. The advisory stated the FCA Board should consider developing a policy that would provide guidelines for FCA to follow should a contractor's actions raise questions on whether the contractor should be suspended or debarred from contracting with Federal agencies. FCA subsequently implemented such procedures into its contract and procurement policy.

The OIG also continues to forward best practices, articles, and plans to the Social Media workgroup and FCA's Office of Congressional and Public Affairs for consideration. This has been a practice since issuance of the OIG Management Advisory, [Survey of FCA's Use of Social Media](#), in 2012.

Investigations

The OIG continued to provide quality investigative work during this period. The OIG investigates matters referred internally and externally, through the OIG Hotline and other notification mechanisms.



INVESTIGATIONS

During this reporting period, the OIG issued three Reports of Investigation; closed five investigations, including one preliminary investigation; and closed the reporting period with two pending preliminary investigations. Two of the closed investigations involved alleged misuse of government travel cards by FCA employees. One of these Reports of Investigation was issued in the prior semiannual reporting period (September 24, 2014), but closed in this reporting period. In both cases involving alleged travel card misuse, the Agency subsequently notified the OIG that it had taken appropriate management action.

The OIG issued a Report of Investigation on December 4, 2014 that addressed an improper payment made to an FCA vendor, and related allegations of false claims and statements. We referred the Report of Investigation to Agency management and were notified twelve days later that appropriate action had been taken.

OIG issued its third Report of Investigation in this reporting period, on December 30, 2014. This investigation involved a computer security incident involving FCA systems. OIG determined after extensive record reviews, that further forensic evaluation or referral was not merited. We, therefore, closed the investigation and referred the Report of Investigation to management for information only. In all cases referred to Agency management, OIG was advised in three weeks or less that appropriate action had been taken. The only open investigations as of the close of this reporting period, were two preliminary investigations relating to personnel matters, one opened on March 12, 2015 and the second on March 30, 2015.

HOTLINE

The OIG Hotline is available 24 hours a day, 7 days a week, to receive tips and complaints about fraud, waste, or abuse relating to FCA programs and operations. The Hotline allows individuals to report their allegations to the OIG directly and confidentially and is available through email, phone, fax, and mail.

The OIG received eight Hotline complaints during the reporting period, and all eight complaints were closed or referred to other Federal agencies as they involved matters outside OIG's jurisdiction. Responses were provided and contacts made with other Federal agencies as appropriate.

Legislative and Regulatory Reviews

In furtherance of the OIG's mandate to review existing and proposed legislation and regulations, the IG attends joint briefings of the FCA Board on regulations at the proposed and final stages. During this reporting period, we reviewed:



The following were reviewed:

Legislation

- 1) H.R. 5492 and S. 579, Inspector General Empowerment Act of 2014
- 2) H.R. 2747, Small Business Regulatory Sunset Act of 2014
- 3) S. 2927, The Inspectors General Streamlining Act
- 4) S. 264, Federal Reserve Transparency Act of 2015
- 5) H.R. 50, Unfunded Mandates Information and Transparency Act of 2015
- 6) S. 2521, Federal Information Security Modernization Act of 2014
- 7) H.R. 5185, Retention of Electronic Correspondence of Regulatory Decisions Act of 2014 (RECORD Act)

Proposed Rule

- 8) Loans in Areas Having Special Flood Hazards, Joint Rule, 12 CFR Part 614, 79 Fed. Reg. 64518
- 9) Regulatory Capital Rules: Regulatory Capital, Implementation of Tier 1/Tier 2 Framework, 12 CFR Parts 607, 614, 615, 620 and 628, 79 Fed. Reg. 76927

Legislation and Regulations Review

- 10) Organization; Mergers, Consolidations, and Charter Amendments of Farm Credit System Banks or Associations, 12 CFR Part 611, 80 F.R.D. 2614
- 11) Federal Agricultural Mortgage Corporation General Provisions; Federal Agricultural Mortgage Corporation Governance; Federal Agricultural Mortgage Corporation Risk Management; Federal Agricultural Mortgage Corporation Disclosure and Reporting; Farmer Mac Corporate Governance and Standards of Conduct, 80 FR 15931

Final Rule

- 12) Disclosure to Shareholders; Pension Benefit Disclosures 12 C.F.R. § 620.6(c)(2), 80 Fed. Reg. 10325
- 13) Organization; Institution Stockholder Voting Procedures, 79 F.R. 62058
- 14) Farm Credit Administration Organization and Functions; Field Office Locations, 12 CFR Part 600

Informational Memorandum

- 15) OMB Circular A-130, Appendix III, *Security of Federal Information Resources*

Meetings

During this reporting period, the OIG met with Congressional staff members from the House Committee on Oversight and Government Reform and Senate Committee on Agriculture, Nutrition and Forestry.

Letter Responses

The OIG also provided letter reports to the Senate Committee on Homeland Security and Governmental Affairs, Senate Committee on the Judiciary, and the House Committee on Oversight and Government Reform that included information on open OIG recommendations; OIG investigation, audit, inspection, and evaluation reports; whistleblower retaliation incidents; and the OIG's access to Agency records.

Proposal for Oversight of Certain Entities Without an Office of Inspector General

A group of IGs, of which the FCA IG was a member, formed a working group last year to formulate a risk-based approach for achieving effective, efficient and economical oversight of small Government agencies. The primary objective of the working group was to raise the level of informed dialogue as a foundation for collegial deliberations and analysis among all stakeholders. The working group focused on 56 Executive Branch entities without direct OIG oversight; these entities have combined budgets in excess of \$1 billion. The Proposal included two possible models for risk-appropriate frameworks for OIG oversight of these entities. The first recommended model for small entities with a low level of apparent risk involves a central hotline-focused framework for OIG oversight. Each small entity would be paired with a legislatively designated OIG. Additionally, a central administrator would be designated to manage a coordinated Central Hotline and refer allegations of fraud, waste, abuse and whistleblower retaliation to the appropriate OIG. A second proposed model would include creating four new OIGs for traditional oversight of six entities and expanding the authorities and responsibilities of five existing OIGs to include the traditional oversight of eleven entities with closely aligned missions, activities, and risks.

The working group's proposal has been distributed to congressional committees for consideration.

Staff Participation in Activities within the IG Community

OIG staff members are encouraged to take part in organizations that contribute to the mission of the Inspectors General community, as well as their individual professional development. Most staff members are actively involved in one or more professional organizations, as well as activities within CIGIE.

The Inspector General is a member of CIGIE, which provides a forum for IGs from various government agencies to discuss government-wide issues and shared concerns. Collectively, the members of CIGIE work toward improving government programs and operations, work that involves, for example, comments on proposed legislation and training development. The IG was appointed to the CIGIE Executive Committee as the Member-At-Large by the incoming Chairman of the CIGIE. The IG also serves as a member of CIGIE's Legislation Committee and participates as a member of CIGIE's Inspection and Evaluation Committee, and is the Chair of the Small IG group.

The Counsel to the Inspector General is active in the Council of Counsels of IGs (CCIG) and was elected one of two Vice Chairs to the CCIG for 2015. The Counsel is also involved in the CIGIE Records Management Working Group and attends the quarterly meetings for three additional CIGIE groups – the Assistant Inspectors General for Investigations, Deputy IGs, and the Small OIGs CCIG Working Group.

The OIG Senior IT Auditor and Senior Auditors attend FAEC meetings and conferences. The IT Auditor is also actively involved in the IT Subcommittee of the FAEC and assists CIGIE with their information security program. The Senior IT Auditor attends local ISACA meetings. One Senior Auditor is also a member of the CIGIE Roundtable on Inspections and Evaluations.

During this reporting period, the OIG also submitted data to the CIGIE for compilation in the annual CIGIE Progress Report to the President, and provided comments on consolidated CIGIE comments on proposed legislation and government-wide issuances, such as OMB circulars.

OIG employees are also active in Agency workgroups and task forces, as appropriate.

Organizational Briefings

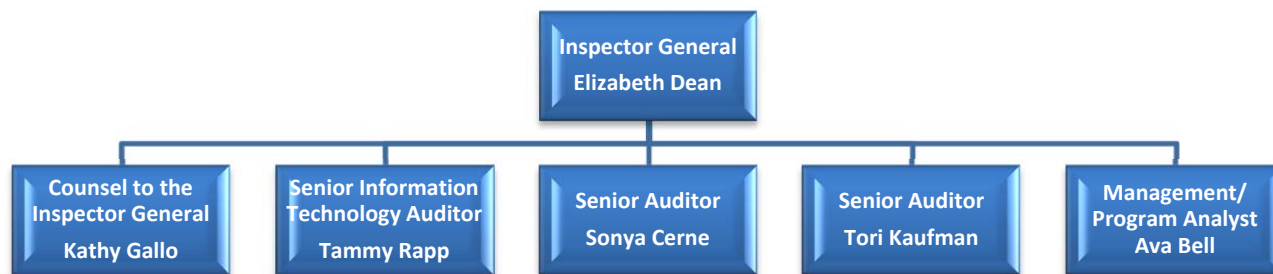
The OIG has distributed posters identifying Hotline and contact information and has implemented a Fraud Awareness initiative to provide training and guidance to FCA employees on reporting responsibilities, fraud indicators, methods of reporting, and protections provided to whistleblowers under Federal law and policy.

Staff Development

OIG employees continually seek ways to improve skills and become knowledgeable in the initiatives of the community of Inspectors General. Audit and legal staff must meet continuing education requirements. Individual development plans are used to identify long and short-term career goals along with specific training and developmental needs. These plans are geared toward enhancing individual skills in the performance of official duties and meeting the criteria needed to achieve OIG performance goals and objectives.

Personnel Changes

The OIG had personnel changes this reporting period. Our Administrative Assistant retired in October 2014. We announced a new position to fill the vacancy as a Management/Program Analyst and filled the vacancy in October. The following organizational chart shows the OIG as of March 31, 2015:



CHARGE CARD RISK ASSESSMENT AND SUBMISSIONS

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) requires the OIG of each executive agency to conduct periodic assessments of charge card programs to analyze the risks of illegal, improper, or erroneous purchases. As part of adherence to the Charge Card Act and the implementation guidance, the Farm Credit Administration (FCA) OIG will conduct an annual risk assessment. The risk assessment will include FCA's purchase and travel card programs, and the centrally billed account utilized by FCA. The OIG completed its annual risk assessment and issued the Charge Card Risk Assessment to the Agency in March 2015.

The OIG also issued a report to the Office of Management and Budget on agency progress in implementing audit recommendations. During FY 2014, we conducted two audits pertaining to FCA's charge card programs:

- Farm Credit Administration's Travel Card Program (A-14-03), issued August 19, 2014.
- Farm Credit Administration's Purchase Card Program (A-14-02), issued September 5, 2014.

As a result of the two audits, the OIG made 12 recommendations. All recommendations were agreed upon by management and were closed as of September 30, 2014. We will continue to conduct risk assessments and reviews as part of our audit and inspection functions.

DISCUSSIONS WITH FCA MANAGEMENT

In October 2014, the OIG held a meeting with FCA and the Farm Credit System Building Association (FCSBA) officials on emergency preparedness and security protocols. Processes and communication to employees and tenants of FCA buildings were discussed. FCA and FCSBA officials stated current emergency preparedness protocols were being revised to ensure employees and tenants were informed of potential security events.

The OIG also met with OE officials in October 2014 regarding an ongoing review of an institution. Officials provided the OIG with an update on activities performed and planned for the institution.

FCSIC AUDIT COMMITTEE

The OIG presented at the January 2015 FCSIC Audit Committee meeting. The IG presented a briefing on the need for IG oversight at FCSIC.

This annex is provided in accordance with the National Defense Authorization Act for FY 2008.

This referenced statute requires all Inspectors General appointed under the IG Act to include an annex to their semiannual reports as follows:

- 1) listing all contract audit reports issued during the reporting period containing significant audit findings;
- 2) briefly describing the significant audit findings in the report; and
- 3) specifying the amounts of costs identified in the report as unsupported, questioned, or disallowed.

Significant audit findings are defined as unsupported, questioned, or disallowed costs in excess of \$10,000,000, or other findings that the Inspector General determines to be significant. It defines contracts as a contract, an order placed under a task or delivery order contract, or a subcontract.

No contract audit reports meeting these criteria were issued on behalf of the OIG during this reporting period.

Appendix A

Index of Reporting Requirements

SECTION	TITLE	Page
4(a)(2)	Review of legislation and regulations	18 - 19
5(a)(1)	Significant problems, abuses, and deficiencies	None
5(a)(2)	Recommendations for corrective action	7-11
5(a)(3)	Prior recommendations not yet implemented	None
5(a)(4)	Matters referred to prosecutive authorities	16
5(a)(5)	Information unreasonably refused or not provided	None
5(a)(6)	List of reports issued	7-11
5(a)(7)	Summaries of significant reports	8-11
5(a)(8)	Management decisions with questioned costs	27
5(a)(9)	Management decisions on recommendations that funds be put to better use	28
5(a)(10)	Prior audit reports unresolved	None
5(a)(11)	Significant revised management decisions	None
5(a)(12)	Significant management decisions with which the Inspector General disagreed	None
5(a)(13)	Compliance of Agency financial management system	8
5(a)(14)(15)	Peer reviews conducted of this OIG	29
5(a)(16)	Peer reviews conducted by this OIG	30
845	FY 2008 National Defense Authorization Act Citation and Requirement	24

Audit, Inspection, and Evaluation Reports Issued			
Report	Number of Agreed Upon Actions/Recommendations	Questioned Costs	Recommendations That Funds Be Put to Better Use
Federal Information Security Management Act 2014 Evaluation	1	\$ 0	\$ 0
FY 2014 Financial Statement Audit of FCA	0	\$ 0	\$ 0
Audit of FCA's Enforcement and Special Supervision Processes	3	\$ 0	\$ 0
Audit of FCA's Commissioning Program	9	\$ 0	\$ 161,277
<i>Total</i>	13	\$ 0	\$ 161,277

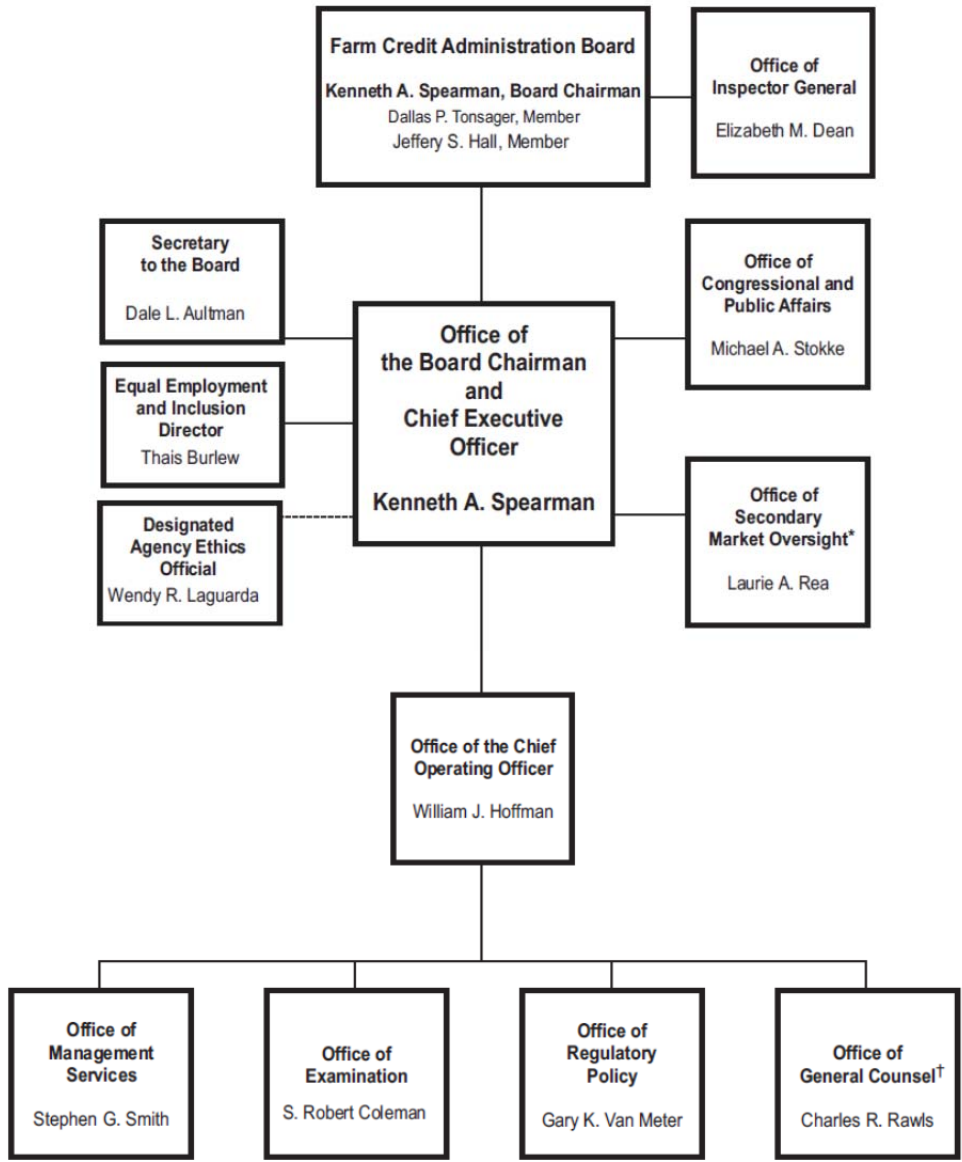
Reports with Questioned Costs				
	Number		Dollar Value	
	Reports	Recom- mendations	Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period.	0	0	\$ 0	\$ 0
B. Which were issued during the reporting period.	0	0	\$ 0	\$ 0
<i>Subtotals (A+B)</i>	0	0	\$ 0	\$ 0
C. For which a management decision was made during the reporting period.	0	0	\$ 0	\$ 0
(i) dollar value of disallowed costs	0	0	\$ 0	\$ 0
(ii) dollar value of costs not disallowed	0	0	\$ 0	\$ 0
D. For which no management decision has been made by the end of the reporting period.	0	0	\$ 0	\$ 0
E. For which no management decision was made within six months of issuance.	0	0	\$ 0	\$ 0

Reports with Recommendations that Funds be Put to Better Use			
	Number of Reports	Number of Recommendations	Dollar Value
A. For which no management decision has been made by the commencement of the reporting period.	0	0	\$ 0
B. Which were issued during the reporting period.	1	9	\$ 161,277
<i>Subtotals (A+B)</i>	1	9	\$ 161,277
C. For which a management decision was made during the reporting period.	0	0	\$ 0
(i) dollar value of recommendations that were agreed to by management	0	0	\$ 0
- based on proposed management action	0	0	\$ 0
- based on proposed legislative action	0	0	\$ 0
(ii) dollar value of recommendations that were not agreed to by management	0	0	\$ 0
D. For which no management decision has been made by the end of the reporting period.	0	0	\$ 0
E. For which no management decision was made within six months of issuance.	0	0	\$ 0

Peer Reviews Conducted of this Office			
Peer Review Performed By	Date of Report	Function Reviewed	Peer Review Rating
Architect of the Capitol Office of Inspector General	June 26, 2013	Audit	Pass
U.S. Securities and Exchange Commission Office of Inspector General	December 26, 2007	Investigations	Pass

Peer Reviews Conducted by this Office			
Peer Review Of	Date of Report	Function Reviewed	Peer Review Rating
U.S. International Trade Commission Office of Inspector General	January 16, 2013	Audit	Pass
Consumer Product Safety Commission Office of Inspector General	May 23, 2011	Audit	Pass

FCA ORGANIZATIONAL CHART



*Reports to the Board for policy and to the CEO for administration.
 †Maintains a confidential advisory relationship with each of the Board members.

Glossary of Terms

Agency	– Farm Credit Administration
CIGIE	– Council of the Inspectors General on Integrity and Efficiency
Farm Credit Act	– Farm Credit Act of 1971, as amended
Farmer Mac	– Federal Agricultural Mortgage Corporation
FCA	– Farm Credit Administration
FCS	– Farm Credit System
FISMA	– Federal Information Security Management Act
FY	– Fiscal Year
H.R.	– House of Representatives
IG	– Inspector General
IG Act	– Inspector General Act of 1978, as amended
IT	– Information Technology
OE	– Office of Examination
OIG	– Office of Inspector General
OMB	– Office of Management and Budget
OMS	– Office of Management Services
Pub. L.	– Public Law
RSD	– Risk Supervision Division
S.	– Senate
System	– Farm Credit System



R E P O R T

Fraud | Waste | Abuse | Mismanagement



FARM CREDIT ADMINISTRATION

OFFICE OF INSPECTOR GENERAL

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