

Semiannual Report to the Congress

October 1, 2016 through March 31, 2017



FARM CREDIT ADMINISTRATION
OFFICE OF INSPECTOR
GENERAL





April 19, 2017

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

Dear Board Chairman Tonsager and Board Member 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, 2016 through March 31, 2017. This is the fifty-sixth 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 the FCA Board for their support of the OIG's work. I would also like to acknowledge FCA management's positive and timely reaction to most of our work. I look forward to continuing a harmonious and productive relationship.

The OIG issued five audit, inspection, and evaluation reports during this reporting period. We contracted with Harper, Rains, Knight & Company, P.A. to perform the audit of FCA's financial statements for FY 2016. We completed the OIG's annual evaluation of the Agency's compliance with the Federal Information Security Modernization Act (FISMA). We also completed program reviews of: FCA's Awards Program, and FCA's Travel and Purchase Card Programs.

In addition to audit and inspection reports, we continued to conduct surveys on the examination program, and we address investigation matters.

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 black ink that reads 'Elizabeth M. Dean'.

Elizabeth M. Dean
Inspector General

Enclosure

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Message from the Inspector General

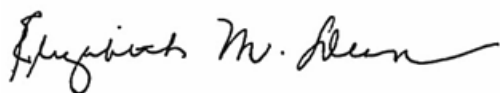
The Office of Inspector General honors the memory and contributions of the late FCA Board Member and former Chairman Kenneth A. Spearman, an esteemed leader of the FCA and of the Farm Credit System who inspired trust and focused on building consensus in his service to the Agency.

I am pleased to submit this Semiannual Report to the Congress and also acknowledge and congratulate Dallas Tonsager in his designation as Chairman and CEO of the FCA Board by President Obama on November 22, 2016. Chairman Tonsager brings extensive experience in both agriculture and in the Federal government through prior service as a member of the FCA Board and with the U.S. Department of Agriculture as Under Secretary for Rural Development.

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, 2016 through March 31, 2017. This reporting period, the OIG's efforts were directed toward implementing the OIG's Fiscal Year (FY) 2017 strategic and operating performance plan and budget. The OIG does so by 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 consultation with the FCA Board.

The OIG issued five audit, inspection, and evaluation reports during this reporting period. Additionally, the OIG issued 31 surveys to Farm Credit System (FCS) institutions, designed to obtain feedback on the quality of the FCA examination program. Two survey reports summarizing the results were delivered to the Chief Examiner and FCA Board. We also contracted with Harper, Rains, Knight & Company, P.A. to perform the audit of FCA's financial statements for FY 2016. We completed the OIG's annual evaluation of the Agency's compliance with the Federal Information Security Modernization Act (FISMA). We also completed program reviews of: FCA's Awards Program, and FCA's Travel and Purchase Card Programs.

I would like to acknowledge the effective efforts of the talented OIG staff in providing timely and comprehensive products. These OIG efforts, together with the interest and cooperation of Agency management, continue to result in improved programs and operations at FCA. The FCA management continues to be cooperative and responsive. Together, OIG and management strengthen operations so that in both good times and in more challenging times, we assist in meeting the needs of American agriculture, keeping the nation's economy strong and helping meet global food needs.



Elizabeth M. Dean
Inspector General



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 2017 budget is \$66,200,000, based on the continuing resolution under which the Agency is currently operating (*Further Continuing and Security Assistance Appropriations Act of 2017*, Public Law 114-254).

At the end of the prior semiannual reporting period, the Agency had 314 employees. At the end of this reporting period, FCA had 310 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 73 associations serving 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.

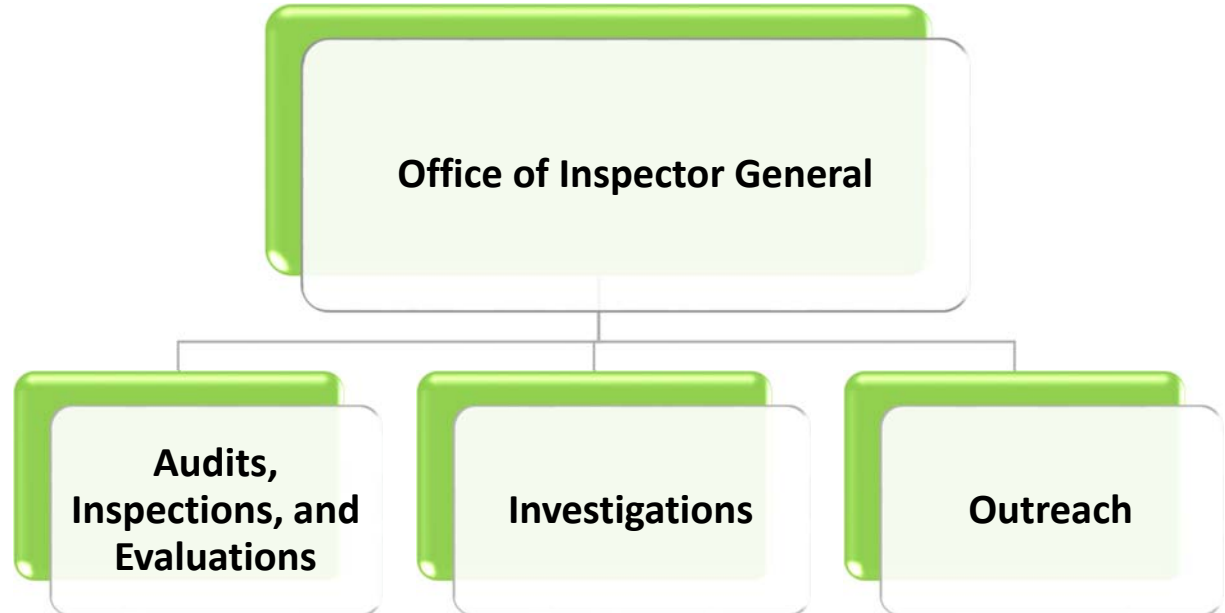
OFFICE OF INSPECTOR GENERAL

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 FCA 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 proposed FY 2017 budget is \$1,563,324, although based on the continuing resolution, the OIG’s current budget remains at the FY 2016 level of \$1,493,393.

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 three major components: audits, inspections, and evaluations of programs and operations; investigations; and outreach.



Strategic Goals

To accomplish our mission, the OIG has three 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 strategic goals and related outcomes during this reporting period.

Strategic Goal 1:

Audit, inspect, and evaluate the Agency's programs and operations to assist the Agency in fulfilling its oversight mission more efficiently and effectively.

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 in planning our workload. During this reporting period, we issued five audit, inspection and evaluation reports. These included program reviews of FCA's Awards Program, as well as FCA's Travel and Purchase Card Programs. We contracted with Harper, Rains, Knight & Company, P.A. to perform the audit of FCA's financial statements for FY 2016. We also issued an evaluation report of the FCA's compliance with the Federal Information Security Modernization Act (FISMA). The issued reports were timely and constructively developed to improve Agency effectiveness and efficiency. As a result of our work, eight recommendations were made to FCA management. Each action was agreed-upon by Agency management. We also have work ongoing for the FY 2017 financial statements audit. We also issued a management advisory and a peer review report on the Federal Election Commission OIG.

Communication with Agency stakeholders is another key aspect of the OIG's effective oversight. During our reviews we continuously meet with officials to keep them informed of results and areas for improvements. The Inspector General also holds regular meetings with FCA Board members to discuss work products and Agency priorities.

The OIG is continuously working to ensure compliance with standards, improve internal processes, and advance professional competencies. This period, in compliance with the IG Act and government auditing standards, we performed an external peer review of the Federal Election Commission's audit function. We continue to prioritize staff training to both meet requirements for professional education and gain new skills.

Strategic Goal 2:

Investigate alleged wrongdoing to prevent and detect fraud, abuse, and mismanagement in Agency programs and operations and to address Congressional, public, and employee concerns.

OIG's investigative function recognizes the importance of fairness and transparency in the OIG's mission. The Deputy IG/Counsel performs the investigative function for the OIG and in this reporting period, the OIG opened five investigations and closed two. The two closed investigations addressed allegations relating to duty station assignments, alleged preselection, time and attendance, awards, and pay increases. The allegations were not substantiated. As of the end of the reporting period, the OIG has three pending investigations.

We also received 18 complaints via the OIG Hotline during the October through March timeframe, four of which were FCS borrower complaints. All 18 complaints were referred, responded to, or closed during the reporting time period.

The OIG investigated no instances of whistleblower retaliation, and had no instances in which the Agency attempted to interfere with the IG's independence through budget constraints, delayed production of records, or objections to oversight activities. The OIG continued its established policy of publicly releasing brief summaries of closed investigations, without including personally identifiable information. The OIG issued no Reports of Investigation for investigations involving a senior Government employee that were not disclosed to the public. The OIG believes publication of the summaries of closed investigations is indicative of transparency and also keep employees, Congress and the public informed of OIG's ongoing results and serve as a deterrent against wrongdoing.

When appropriate, OIG provides advisories to the Agency on systemic issues and increased risks identified during the course of some investigations. This heightens public confidence in the integrity of FCA programs and oversight operations by strengthening the Agency's internal policies, procedures, and controls.

OIG's orientation presentation to all new Agency employees educates employees on OIG's Hotline and encourages employees to reach out to OIG with concerns regarding fraud, waste, and abuse relating to Agency programs and operations. OIG's continued work on developing an online fraud awareness training webinar will also provide the Inspector General's office with another avenue for reaching out to Agency employees to facilitate open door communications. This reporting period, the OIG also provided information on whistleblower protections and Office of Special Counsel authorities to FCA leaders in a leadership summit that involved all FCA upper management officials. OIG continues its work on cross-cutting audit, investigation, and inspection issues that impact not only other OIGs, but agencies across the Federal government.

Strategic Goal 3:

Review and make recommendations regarding existing and proposed legislation and regulations and provide other outreach to support the Agency's oversight mission and the Inspector General community on government-wide issues.

Reviewing and commenting on proposed and existing legislation and regulations affecting FCA and the IG community is an important area for the OIG. During this reporting period, we reviewed 33 items, including 25 legislative initiatives; four final rules; two proposed rules; and two Informational Memoranda issued by the FCA's Office of Examination (OE). These issuances addressed varied issues, including, but not limited to:

- Inspector General Empowerment Act and relating reporting guides
- OMB Circular A-108, Privacy Act and Federal Agency Responsibilities for Review, Reporting, and Publication
- Availability of Records of the Farm Credit Administration under the FOIA
- Military Lending Act
- Controlled Unclassified Information Regulations
- Farm Credit Administration Organization Updates
- Federal Agricultural Mortgage Corporation Governance, Standards of Conduct, Risk Management; and Disclosure and Reporting

Almost all OIG products are posted on our public website to ensure timely, effective communication and transparency. The OIG annually briefs incoming employees on the OIG's history, mission, reporting, and audit and investigative activities during FCA's new employee orientation, and most recently briefed FCA leaders in a leadership summit on developments in the IG community and lessons learned through OIG's audits, evaluations, inspections, and investigations of Agency programs and operations. OIG staff participate in workgroups, conferences, and training to support and advance 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 Legislation Committee has engaged in several responses to legislative efforts and congressional hearings. The Deputy/Counsel started her fourth year as Vice-Chair of CIGIE's Council of Counsels, and participates in CIGIE working groups, including the Deputy Inspectors General Working Group, Council of Counsels to IGs (CCIG), CIGIE Records Administrators Group, and Small OIGs Working Group. The auditors are involved with CIGIE cross-cutting projects, the Federal Audit Executive Council (FAEC), the Inspection and Evaluation Roundtable, and OIG Community Public Affairs.

Audits, Inspections, and Evaluations

REPORTS ISSUED

This reporting period, the OIG continued to provide FCA with high quality products. We issued two audit reports, two inspection reports, and one evaluation report, with a total of eight agreed-upon actions with FCA management. We have two in-process reviews initiated during this six-month period. The OIG also issued 31 surveys to FCS institutions and two reports on the survey results to the Chief Examiner and FCA Board. The reports summarize survey results and stakeholder opinions on the quality and issues involved in the examination function. The OIG issued a management advisory and a report on the peer review we conducted of the Federal Election Commission OIG's audit program.



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 Inspection and Evaluation.

Copies of most OIG reports are available on our website 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 subscription service that provides automatic notification by e-mail when a 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.

[OIG 2016 Evaluation of the Farm Credit Administration's Compliance with the Federal Information Security Modernization Act](#)

The Federal Information Security Modernization Act (FISMA) of 2014 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 provide a comprehensive framework for ensuring the effectiveness of information security controls, minimum controls for agency systems, and improved oversight of agency information security programs.

The OIG completed the 2016 independent evaluation of FCA's compliance with FISMA during this reporting period. The evaluation found that FCA has an information security program that continues to mature, and FCA's experienced information technology (IT) team is proactive in their approach to information security. Although FCA's overall information security program was not ranked "Effective" based on the Department of Homeland Security's (DHS) scoring methodology, we did not make any recommendations because FCA continues to identify areas to strengthen and improve information security.

OMB required OIGs to evaluate the following areas during 2016:

1. Risk Management
2. Contractor Systems
3. Configuration Management
4. Identify and Access Management
5. Security & Privacy Training
6. Continuous Monitoring Management
7. Incident Response
8. Contingency Planning

FCA established a program in each of these areas that is consistent with FISMA requirements, OMB and DHS policy, and applicable National Institute of Standards and Technology's (NIST) guidelines.

The final report was issued November 10, 2016.

Audits, Inspections, and Evaluations

Audit of FCA's Financial Statements Fiscal Year 2016

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 2016. Harper, Rains, Knight & Company completed the audit and issued an unmodified opinion in November 2016.

In the auditors' 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, 2016, 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. 15-02, *Audit Requirements for Federal Financial Statements*.

The final report was issued on November 14, 2016.

Audits, Inspections, and Evaluations

Inspection of FCA's Travel Card Program

As part of the Agency's mission, FCA employees are required to complete official government travel. For travel expenses, FCA participates in the government-wide General Services Administration (GSA) SmartPay Travel Card Program and currently contracts with the Bureau of the Fiscal Service (BFS) for travel administration and services. FCA is included under an issued contract with Citibank for charge cards. FCA uses government travel cards for official travel and travel related expenses to include transportation, lodging, meals, and incidentals.

The objective of the inspection was to determine whether FCA's oversight of the travel card program was effective. We found FCA's oversight is generally effective. FCA established and implemented controls over the travel card program. Opportunities were identified to further improve the travel card program:

- Of the 585 transactions judgmentally sampled, we identified 33 exceptions:
 - 16 transactions by two individuals showing misuse of the travel card. In both instances, FCA discovered the misuse during internal reviews and individuals received disciplinary actions prior to our review;
 - 6 transactions were identified as erroneous charges. The three individuals involved indicated the charges were inaccurate or from potentially stolen card numbers. However, they did not file a dispute with the credit card company; and,
 - 11 transactions lacked receipts in the travel system, lacked approvals per Agency policy, or the support and reasoning of official travel was not included in the file.
- Employees had not always made timely payments for travel card expenses; and,
- Two employees were listed as active FCA cardholders even though they were previously separated.

The Office of Agency Services (OAS) agreed to take two actions in response to the inspection and both agreed-upon actions were closed:

1. Provide education to cardholders on misuse of the government charge card, proper cash advances, delinquencies, potential disciplinary actions, the importance of reviewing statements for accuracy of charges, and the dispute process.
2. Follow up on previous audit recommendations and agreed-upon actions by implementing, and including in the Charge Card Management Plan and/or Operational Handbook for Travel Card Operations, a process to:
 - a. request and reconcile all active FCA travel cardholders with BFS on a quarterly basis to ensure proper closures; and,
 - b. provide annual education to travel cardholders on Agency policies and areas of improvement found during internal reviews.

The final report was issued January 31, 2017.

Audits, Inspections, and Evaluations

FCA's Awards Program

FCA's OAS has responsibility over the awards program. Different types of awards are granted based on the nature of an accomplishment and its impact to the Agency. The objective of this audit was to determine if FCA is following policies and procedures and has adequate controls over awards and incentives.

Our review identified opportunities to improve FCA's awards program. Specifically, we noted 41 of 202 awards we sampled where the reason for the award appeared to be based on the employee performing their overall job duties in an outstanding or superior manner over a sustained period of time. Agency policy states that an award is not appropriate for this type of achievement, which is recognized through annual performance evaluations. We also noted opportunities to improve controls over award approvals and to update policies and procedures.

In response to our audit, OAS agreed to take the following actions:

1. Provide education to supervisors and managers on:
 - Criteria for awards and approval, including requirements that awards are not based on performance of overall job responsibilities over a sustained period of time; and,
 - Expectations for justifications in the awards database.
2. Modify the awards database to address the following:
 - Multiple approvals are not completed by the same employee and approvals are not completed by the recipient or recommender;
 - Controls over time-off award amounts and limits in Agency policy; and
 - Approval routings are appropriate and reflect documented procedures.
3. Revise policies and procedures to reflect FCA's current awards program, including:
 - Guidance for award amounts that are not based on tangible, monetary benefits or are awarded as time-off;
 - Appropriate uses for the OAS-entered function in the awards database;
 - Grossing up awards;
 - Award nomination, recommendation, and approval procedures;
 - Required reporting;
 - Time-off for new parents; and
 - Types of awards.
4. Complete reimbursement of the award made to a Schedule C employee during the restricted presidential election period.

The final report was issued February 23, 2017.

Inspection of FCA's Purchase Card Program

FCA participates in the General Services Administration's SmartPay Program to make official purchases related to the Agency's mission. FCA provides purchase cards to employees with a certified need to make purchases for their office.

The objective of this inspection was to determine if FCA's oversight of the purchase card program was effective. We found FCA's oversight is generally effective; however, we identified some opportunities to further improve the purchase card program. Purchase card procedures require cardholders to document approval from the approving official (AO) prior to making a purchase, and have their monthly purchase activity logs signed by the AO. Although most cardholders obtained prior approval for purchases and maintained a monthly purchase activity log with approvals, a few cardholders did not do so.

In order to improve the purchase card program, the Agency agreed to:

1. Follow up on previous agreed-upon actions by reminding current cardholders and approving officials of the importance of:
 - Obtaining written prior approval from the approving official for all transactions unless there is a standard agency buy approval in place.
 - Maintaining a purchase activity log and submitting it to the approving official for review and signature on a monthly basis.
2. Review and update OAS Directive 6, *Charge Card Operating Procedures* to ensure guidance is current.

Responding to the inspection recommendations, OAS prepared and corresponded by email with cardholders and approving officials. The correspondence reemphasized requirements previously identified, including: 1) obtaining written approval from the approving official prior to making purchases for non-standard supplies; and 2) maintaining a monthly purchase activity log submitted for review and signature to the approving official. The OAS Directive was also updated, including the current single purchase amount limit. Therefore, the agreed-upon actions were resolved and closed.

The final report was issued March 7, 2017.

AUDITS AND EVALUATIONS IN PROCESS

Audit of FCA's Financial Statements Fiscal Year 2017

The Accountability of Tax Dollars Act of 2002 requires FCA and certain other agencies to submit to the Congress and OMB audited financial statements 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 2017. The audit remained ongoing at the end of this reporting period. For FY 2016, the OIG also contracted with Harper, Rains, Knight & Company, P.A. to perform the audit.

Audit of FCA's Contracting Activities

In order to fulfill mission requirements, FCA needs to procure and/or contract for certain goods and services. However, FCA must ensure its procurement and contracting activities are through appropriate methods and procedures that result in efficient and effective use of Agency resources.

The objective of this audit is to determine whether FCA's contracting process is effectively administered. The audit was initiated in December 2016 and is ongoing as of March 31, 2017.

Audits, Inspections, and Evaluations

STATUS OF AGREED-UPON ACTIONS AND RECOMMENDATIONS

In total, there were 8 agreed-upon actions added from our five reports issued for the reporting period. We had 18 actions open at the beginning of the period to carry over. As of March 31, 2017, 14 agreed-upon actions remained open.

Audit, Inspection, and Evaluation Agreed-Upon Actions					
Report	Issued	Carryover from Prior 6-Month Period	New During this 6-Month Period	Final Management Actions During this 6-Month Period	Open on 3/31/2017
FCA's Commissioning Program	3/31/2015	3	0	2	1
FCA's Risk Project	3/31/2016	4	0	0	4
FCA's Position Management and Job Evaluation Program	9/23/2016	6	0	5	1
FCA's Oversight of Young, Beginning, and Small Farmer Programs	9/28/2016	5	0	1	4
FCA's Travel Card Program	1/31/2017	0	2	2	0
FCA's Awards Program	2/23/2017	0	4	0	4
FCA's Purchase Card Program	3/7/2017	0	2	2	0
Total		18	8	12	14

Audits, Inspections, and Evaluations

OPEN AGREED-UPON ACTIONS

The following charts show open agreed-upon actions for issued reports as of March 31, 2017:

FCA's Commissioning Program (Issued 3/31/15)	
Agreed-Upon Action Number 1	Identify and track specific commissioning costs to evaluate the cost of the program and identify cost-saving opportunities and consider timekeeping code revisions, with OMS assistance in implementation.

FCA's Risk Project (Issued 3/31/16)	
Agreed-Upon Action Number 1	Add or modify current procedures for large IT investments to: <ul style="list-style-type: none">• Designate a project manager and project management responsibilities;• Assess resources and determine whether consultants are needed for project planning and implementation; and• Establish guidelines for incremental investment.
Agreed-Upon Action Number 2	Establish a control to ensure project management guidance is implemented for large IT investments.
Agreed-Upon Action Number 3	Create an incremental project plan for the remainder of the Risk Project in coordination with the Risk Project workgroup. Include an assessment of required resources and tasks requiring consultants and evaluate other tools that may be incorporated to accomplish Risk Project goals and objectives.
Agreed-Upon Action Number 4	Modify standard operating procedures to define levels of approval for large IT acquisitions and establish a control to ensure appropriate reviews and approvals are obtained.

FCA's Position Management and Job Evaluation Program (Issued 9/23/16)	
Agreed-Upon Action Number 5	Document the promotion process at the EMT phase of the OE career ladder.

Audits, Inspections, and Evaluations

FCA's Oversight of Young, Beginning, and Small Farmer Programs (Issued 9/28/16)

Agreed-Upon Action Number 1	<p>ORP document policies and procedures for YBS oversight activities, including:</p> <ul style="list-style-type: none"> • A methodology for YBS comparison reporting that accounts for institution size and • A process to address deficiencies identified through YBS reporting and analysis.
Agreed-Upon Action Number 2	ORP incorporate YBS oversight activities and processes in internal control planning and evaluation.
Agreed-Upon Action Number 3	ORP develop a plan for addressing recommendations in the Agency's YBS definitions review.
Agreed-Upon Action Number 5	ORP complete an interpretation on YBS disclosure requirements in annual reports to shareholders.

FCA's Awards Program (Issued 2/23/17)

Agreed-Upon Action Number 1	<p>Provide education to supervisors and managers on:</p> <ul style="list-style-type: none"> • Criteria for awards and approval, including requirements that awards are not based on performance of overall job responsibilities over a sustained period of time; and • Expectations for justifications in the awards database.
Agreed-Upon Action Number 2	<p>Modify the awards database to address the following:</p> <ul style="list-style-type: none"> • Multiple approvals are not completed by the same employee and approvals are not completed by the recipient or recommender; • Controls over time-off award amounts and limits in Agency policy; and • Approval routings are appropriate and reflect documented procedures.
Agreed-Upon Action Number 3	<p>Revise policies and procedures to reflect FCA's current awards program, including:</p> <ul style="list-style-type: none"> • Guidance for award amounts that are not based on tangible, monetary benefits or are awarded as time-off; • Appropriate uses for the Office of Agency Services-entered function in the awards database; • Grossing up awards; • Award nomination, recommendation, and approval procedures; • Required reporting; • Time-off for new parents; and • Types of awards.
Agreed-Upon Action Number 4	Complete reimbursement of the award made to a Schedule C employee during the restricted presidential election period.

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, including the examiners' performance. Without attribution, the OIG issues a quarterly report, and, at the end of each fiscal year, a summary report on the survey results to the Chief Examiner and the FCA Board.

The survey asks respondents to rate eight statements regarding examination activities, communications and FCA regulations and guidance. Additionally, respondents have the opportunity to discuss the aspects of the examination that were the most and least helpful to the FCS institution's board and management team. Each quarter there are a relatively small number of respondents. Over time, however, analyses of response patterns enable sound conclusions as to the quality of the examiners and the examination function. The consistent trend indicates the examination program and staff are well regarded.

- **[Fourth Quarter \(July 1 – September 30, 2016\) and Fiscal Year 2016 Summary](#)**
In October 2016, the OIG issued 13 surveys to FCS institutions for feedback on the examination program and staff during the fourth quarter of FY 2016. Eleven FCS institutions responded. The OIG issued a report, including a statistical summary of FY 2016 responses, in January 2017 to the Chief Examiner and the FCA Board.
- **[First Quarter Fiscal Year 2017 \(October 1 – December 31, 2016\)](#)**
In February 2017, the OIG issued 18 surveys to FCS institutions for feedback on the first quarter of FY 2017. Seventeen institutions responded. The OIG provided a report in March 2017 to the Chief Examiner and the FCA Board.

MANAGEMENT ADVISORY REPORTS

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 a management advisory relating to contracting practices and FCA policy statements.

FCA OIG PEER REVIEW OF FEDERAL ELECTION COMMISSION OIG

The FCA OIG conducted a peer review of the Federal Election Commission (FEC) OIG's audit program and issued a final report on February 23, 2017. The review found that the FEC OIG has a system of quality control that is designed to provide the FEC OIG with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements in all material respects for the year ended September 30, 2016. Professional standards for audit organizations are established by the Government Accountability office as well as the Council of Inspectors General for Integrity and Efficiency.

The FEC OIG received an external peer review rating of "pass," which is the highest rating possible in the peer review process. An external peer review must be completed every three years, as required by the Inspector General Act of 1978, as amended.

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 OIG conducts an annual risk assessment of FCA's charge card programs, including the 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 2017. We determined that the overall risk of FCA's Charge Card Programs was low based on the risk assessment.

The OIG also issued a letter to the Office of Management and Budget in January 2017 on the Agency's progress in implementing audit recommendations. All recommendations from our previous audits were agreed upon by management and were subsequently closed. Therefore, there were no open recommendations as of December 2016.

We will continue to conduct risk assessments and reviews as part of our audit and inspection functions.

Investigations



Investigations

This reporting period, the OIG opened five investigations and closed two investigations. The closed investigations involved unsubstantiated allegations of time and attendance fraud, duty station assignments, pay increases, and alleged preselection. The OIG had no reported allegations of whistleblower retaliation, and the Agency cooperated in all OIG investigations, providing records in response to OIG investigations in a timely manner. The OIG had no investigations involving senior Government employees in which allegations of misconduct were substantiated and all closed investigations were reported through summary briefings to the public.

Hotline

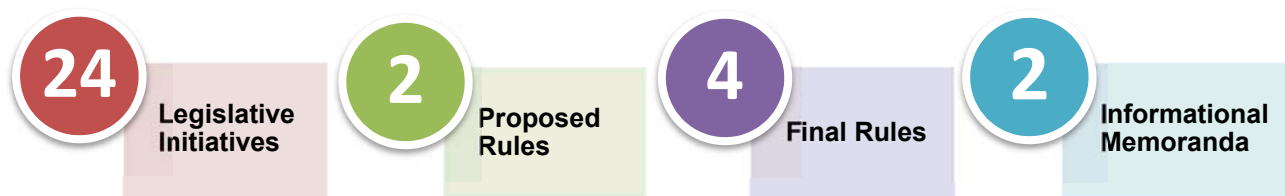
The OIG Hotline is available 24/7 to receive tips and complaints about fraud, waste, or abuse relating to FCA programs and operations. The Hotline allows individuals to report their allegations to the OIG directly and confidentially and is available through email, phone, fax, and mail. OIG evaluates all Hotline complaints on multiple levels, examining jurisdictional issues, the nature of the allegation, and other factors. The OIG also generally assesses availability of records, credibility, and other factors to determine whether the case has criminal, civil, or administration violations that necessitate formal investigation. OIG refers all borrower complaints to the FCA Office of Congressional and Public Affairs as required by FCA policy and procedure, and follows up as appropriate.

During the reporting period, the OIG received 18 Hotline complaints, four of which involved borrowers. One of the Hotline complaints was referred for investigation, and the remaining complaints were reviewed, referred to the FCA office responsible for reviewing borrower complaints, or responded to and/or administratively closed. Four of the complaints were closed because they involved matters outside OIG's jurisdiction and/or had already been sent to the appropriate agency.

OIG followed up on borrower complaints referred to the FCA Office of Congressional and Public Affairs, and also to the Office of Examination to ensure responses were finalized and complaints resolved as appropriate. OIG also continues to review and monitor its Hotline complaints for any trends or patterns of allegations that may highlight an underlying issue or development that would merit closer OIG attention through an audit, investigation, inspection, or evaluation. OIG's development of its annual audit plan is part of this monitoring process.

Legislative and Regulatory Reviews

This past reporting period, OIG continued to review existing and proposed legislation and regulations, and commented or provided analysis as a member of the CIGIE Legislative Committee through the Council of Counsels to the Inspectors General, and to the Agency. The OIG also continued to review proposed and final regulations and Informational Memoranda issued by the Agency. During this reporting period, we reviewed:



The following list includes the significant legislation, proposed rules, final rules, and informational memorandum the OIG reviewed:

Legislation

1. S. 742, Stop Wasteful Federal Bonuses Act of 2015
2. S. 2715, National Security Whistleblower Protection Act of 2015
3. S. 2714, Security Clearance Oversight and Accountability Act
4. S. 2723, Congressional Whistleblower Protection Act of 2016
5. S. 356, Electronic Communications Privacy Act Amendments Act of 2015
6. H.R. 1557, Federal Employee Antidiscrimination Act of 2015
7. S. 2012, Energy Policy Modernization Act of 2015
8. S. 2837, Commerce, Justice, Science, and Related Agencies Appropriations Act of 2017
9. S. 2577, Military Construction, Veterans Affairs, and Related Agencies Appropriations Act of 2015
10. H.R. 4361, Federal Information Systems Safeguards Act of 2016
11. S. 337, FOIA Improvement Act of 2015
12. S. 2968, OSC Reauthorization Act of 2016
13. H.R. 4639, Thoroughly Investigating Retaliation Against Whistleblowers Act
14. H.R. 4909, National Defense Authorization Act of FY 2017
15. S. 1378, Bonuses for Cost-Cutters Act of 2015
16. H.R. 5709, Federal Records Modernization Act
17. H.R. 5485, Financial Services and General Government Appropriations Act

Legislative and Regulatory Reviews

18. S. 795, Bill to Enhance Whistleblower Protection for Contractor and Grantee Employees
19. S. 2450, Administrative Leave Act
20. S. 2976, The DHS Accountability Act
21. H.R. 5922, Saving Federal Dollars Through Better Use of Government Purchase and Travel Cards Act of 2016
22. H.R. 5839, The Public Online Information Act of 2016
23. H.R. 5795/S. 3259, Forensic Science and Standards Act of 2016
24. S. 3184, Back the Blue Act of 2016

Proposed Rules

1. *Circular A-108, Federal Agency Responsibilities for Review, Reporting, and Publication under the Privacy Act*, 81 F.R. 69663 (Oct. 7, 2016)
2. *OMB Circular A-123, Improper Payments Elimination and Recovery Act Reporting* (Jan. 18, 2017)

Final Rules

1. *Farm Credit Administration Organization Updates*, 81 Fed. Reg. 69663 (Oct. 7, 2016)
2. *Federal Agricultural Mortgage Corporation Governance; Standards of Conduct; Risk Management; and Disclosure and Reporting*, 81 F.R. 71356 (Oct. 17, 2016)
3. *Releasing Information; Availability of Records of the Farm Credit Administration and FOIA Fees*, 12 C.F.R. § 602 (Dec. 9, 2016)
4. *Third Amended and Restated Market Access Agreement – Final Approval*, 82 F.R. 5565 (Jan. 18, 2017)

Informational Memoranda and Bookletters

1. *Military Lending Act* (Feb. 6, 2017)
2. *National Oversight Plan for FY 2017* (Sep. 27, 2016)

Congressional Interaction

During this reporting period, the OIG also continued to provide Congress with information regarding ongoing Agency and OIG activities through correspondence and letter reports. These letter reports and correspondence responded to the Committees' requests for information on various topics, including mandatory OIG reporting requirements, OIG websites and hotlines, communication practices involving misconduct investigations and administrative leave, nonpublic reports, IG Empowerment Act reporting requirements, attempts to interfere with IG independence, information on open recommendations or limitations placed on the OIG's access to documents, information, and Agency employees, and whistleblower retaliation allegations. The correspondence and reports were sent to recipients including the following committees:

- Senate Committee on Homeland Security and Governmental Affairs;
- Senate Committee on the Judiciary; and,
- House Committee on Oversight and Government Reform.

The OIG also participated extensively in CIGIE activities, including the CIGIE Legislative Committee, and in various workgroups and training activities. Through its CIGIE activities, the OIG provided assistance throughout the IG community on crosscutting issues involving legislative and executive changes, including comments on the IG Empowerment Act legislation, including recommendations for revisions; evaluation of mandatory reporting requirements, and recommendations regarding the impact of the Administrative Leave Act.

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 over 70 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; development of projects involving cross-cutting issues; and training development. The IG continues her leadership role on committees and workgroups, and also serves on the CIGIE Executive Council. The CIGIE Executive Council assists the Chair in governance of the CIGIE and its members are limited to the current and former CIGIE Chair and Vice Chair, the chair of each standing CIGIE committee. The IG also continues to serve 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, a group of IGs who meet quarterly and exchange ideas and practices, as necessary. This reporting period, the IG also served as a co-Chair at the 2016 CIGIE Annual Awards Ceremony which recognized the outstanding efforts of IG employees government-wide.

The Deputy IG continues her leadership role in the Council of Counsels of IGs (CCIG) as one of two Vice Chairs to the CCIG for 2015-2016. The Deputy IG also participated this reporting period in CIGIE working groups and provided recommended changes to guidance being developed relating to IG Empowerment Act reporting requirements. She also coordinated a speakers bureau for the CCIG and frequently assists other OIG offices on issues raised through interagency meetings and through the CCIG's listserv. The Deputy IG is further involved in the CIGIE Records Administrators Group and attends quarterly meetings for CIGIE groups including the Assistant Inspectors General for Investigations, OIG FOIA Working Group, Deputy IGs, and the Small OIGs CCIG Working Group.

The OIG Senior IT Auditor and Senior Auditors participate in cross-cutting audit projects and attend FAEC meetings and conferences. The IT Auditor attends local ISACA meetings and is involved in the IT Subcommittee of the FAEC. One Senior Auditor is also a member of the CIGIE Roundtable on Inspections and Evaluations and is an Adjunct Instructor for CIGIE's Training Institute. OIG employees are also active in Agency workgroups and task forces, including Special Emphasis groups such as the Asian Americans and Pacific Islander at FCA; PRIDE at FCA; and Federal Women's Program.

Organizational Briefings and Notifications

The OIG has distributed posters identifying Hotline and contact information and continues to develop its Fraud Awareness program 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. OIG also prepared articles for the Agency's newsletter that addressed insider threats, whistleblower protections under the Whistleblower Protection Enhancement Act, and articles for International Fraud Awareness Week that further highlighted fraud awareness.

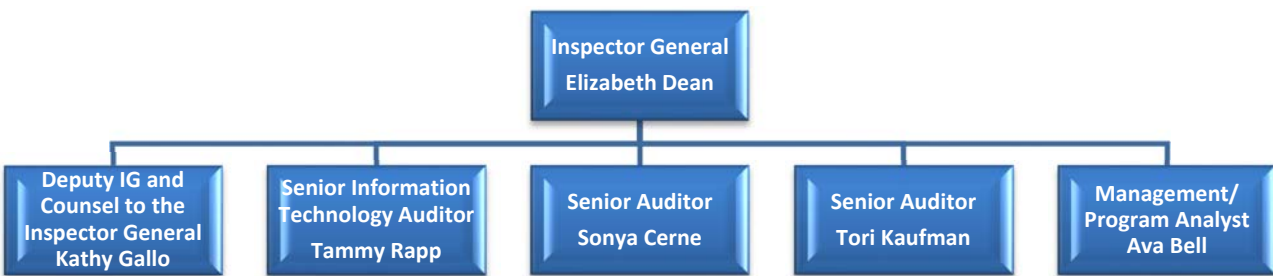
The OIG has provided notification and briefings to the Agency on other reporting requirements and mandates, including policy and training requirements for Controlled Unclassified Information, administrative leave, and electronic email record retention requirements and deadlines.

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. 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, cross training, succession planning and meeting the criteria needed to achieve OIG performance goals and objectives.

The OIG also continues to certify its compliance with the Office of Special Counsel’s 2302(c) Certification of Whistleblower Notifications by providing its staff with the requisite notice and training on prohibited personnel practices and whistleblower protections. In 2014, the OIG’s was one of the first OIG’s to complete the OSC 2302(c) certification process, and the FCA OIG continued its certification status this reporting period.

The following organizational chart shows the OIG as of March 31, 2017:



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	20-21
5(a)(1)	Significant problems, abuses, and deficiencies	None
5(a)(2)	Recommendations for corrective action	10-12
5(a)(3)	Prior recommendations not yet implemented	14-16
5(a)(4)	Matters referred to prosecutive authorities	None
5(a)(5)	Information unreasonably refused or not provided	None
5(a)(6)	List of reports issued	28
5(a)(7)	Summaries of significant reports	8-12
5(a)(8)	Management decisions with questioned costs	29
5(a)(9)	Management decisions on recommendations that funds be put to better use	30
5(a)(10)(A)	Audit reports for which no management decision made	None
5(a)(10)(B)	Audit reports with comments not received within 60 days	None
5(a)(10)(C)	Audit reports with unimplemented recommendations	15-16
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	9
5(a)(14)(15)	Peer reviews conducted of this OIG	31
5(a)(16)	Peer reviews conducted by this OIG	32
5(a)(17)	Statistical tables for investigations and referrals	33
5(a)(19)	Investigations of Senior Government employee with substantiated misconduct	None
5(a)(20)	Instances of whistleblower retaliation	None
5(a)(21)	Instances of attempts to interfere with IG independence	None
5(a)(22)(A)	Closed audits not disclosed to the public	None
5(a)(22)(B)	Closed investigations involving a senior Government employee	None
845	National Defense Authorization Act of FY 2008 Citation and Requirement	26

Audit, Inspection, and Evaluation Reports Issued			
Report	Number of Agreed Upon Actions/Recommendations	Questioned Costs	Recommendations That Funds Be Put to Better Use
FCA's Financial Statement FY 2016	0	\$ 0	\$ 0
FCA's Compliance with FISMA 2016	0	\$ 0	\$ 0
FCA's Travel Card Program	2	\$ 0	\$ 0
FCA's Award Program	4	\$ 0	\$ 0
FCA's Purchase Card Program	2	\$ 0	\$ 0
Total	8	\$ 0	\$ 0

Reports with Questioned Costs				
	Number		Dollar Value	
	Reports	Recommendations	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
Subtotals (A+B)	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

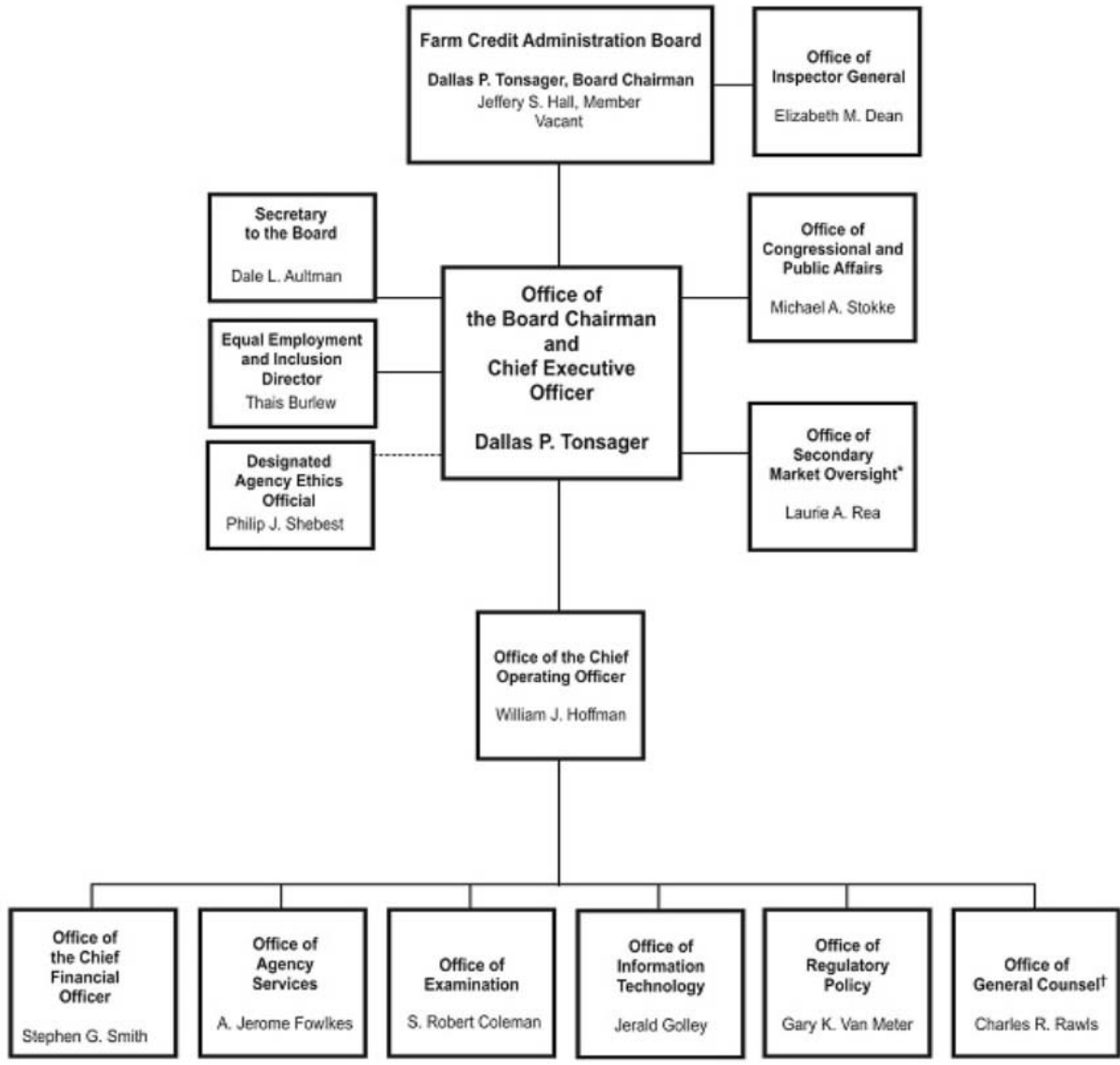
Reports with Recommendations that Funds Be Put to Better Use			
	Number of Reports	Number of Recommendations	Dollar Value
A. For which no management decision has been made by the commencement of the reporting period.	0	0	\$ 0
B. Which were issued during the reporting period.	0	0	\$ 0
<i>Subtotals (A+B)</i>	0	0	\$ 0
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
Federal Labor Relations Authority OIG	August 2, 2016	Audit	Pass
Architect of the Capitol OIG	June 26, 2013	Audit	Pass
U.S. Commodity Futures Trading Commission OIG	February 4, 2011	Audit	Pass

Peer Reviews Conducted by this Office			
Peer Review Of	Date of Report	Function Reviewed	Peer Review Rating
Federal Election Commission Office of Inspector General	February 15, 2017	Audit	Pass
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

Investigative Reports, Referrals, Indictments and Criminal Information	
A. Total number of investigative reports issued during the reporting period	2
B. Total number of persons referred to the Department of Justice for criminal prosecution during the reporting period	0
C. Total number of persons referred to State and local prosecuting authorities for criminal prosecution during the reporting period	0
D. Total number of indictments and criminal informations during the reporting period that resulted from any prior referral to prosecuting authorities	0
E. Description of the metrics used for developing the data in this statistical table: The FCA OIG has included the above-referenced statistics for the entire reporting period from October 2016 through March 2017 in these statistics. Investigative reports included in this table are all those for which a Report of Investigation was issued during the reporting time period.	0

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
FAEC	– Federal Audit Executive Council
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 Modernization Act
FY	– Fiscal Year
H.R.	– House of Representatives
IG	– Inspector General
IG Act	– Inspector General Act of 1978, as amended
IT	– Information Technology
NIST	– National Institute of Standards and Technology
OAS	– Office of Agency Services
OE	– Office of Examination
OIG	– Office of Inspector General
OIT	– Office of Information Technology
OMB	– Office of Management and Budget
PPM	– Policies and Procedures
Pub. L.	– Public Law
S.	– Senate
System	– Farm Credit System
YBS	– Young, Beginning, and Small Farmers and Ranchers

R E P O R T

Fraud | Waste | Abuse | Mismanagement



FARM CREDIT ADMINISTRATION

OFFICE OF INSPECTOR GENERAL

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