

# Office of Inspector General

Semiannual Report  
to the Congress

April 1, 1997  
through  
September 31, 1997



October 22, 1997

The Honorable Marsha Pyle Martin  
Chairman of the Board and  
Chief Executive Officer  
Farm Credit Administration  
McLean, Virginia

Dear Ms. Martin:

This semiannual report is submitted in accordance with the Inspector General Act of 1978, as amended (Act), and is the seventeenth report on the activities of the Farm Credit Administration's (FCA) Office of Inspector General (OIG) since the office was created on January 22, 1989. Section 5(b) of the Act requires that this report be submitted to the appropriate Congressional committees and subcommittees within 30 days after the date of this transmittal, together with management's report on the status of audit recommendations.

The FY 1997 OIG Performance Measures Report included at Section II of this document presents OIG's performance measures and the results of those measures as applied to fiscal year 1997 activities.

Your leadership and support have been key elements in perpetuating the positive working relationship between OIG and management

Respectfully,

Eldon W. Stoehr  
Inspector General

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## **SECTION II**                      **FY 1997 OIG Performance Measures**



## **BACKGROUND**

The Farm Credit Administration (FCA) is an independent Federal agency of the United States government responsible for the regulation, examination and supervision of institutions chartered under the Farm Credit Act of 1971. FCA is a non-appropriated agency with a fiscal year (FY) 1997 budget of \$36,200,000 for administrative costs of the Agency. The FY 1997 budget for the Office of Inspector General (OIG) is \$753,000.

FCA currently has 330 established positions, about half of which are examiners located at five field offices. Also included in the established Agency positions are the five approved positions for the OIG. Appendix II displays the current organizational structure of FCA and Appendix III displays the OIG within that structure.

FCA is a “designated Federal entity” within the meaning of the Inspector General Act of 1978, as amended. The Inspector General is appointed by and is under the general supervision of the Chairman of the FCA Board (Chairman).

## **AUDIT REPORTS ISSUED**

Audits are conducted in accordance with audit standards established by the Comptroller General of the United States for audits of Federal organizations, programs, activities, and functions. Two audit reports were issued during this reporting period and are summarized below.

### **OIG STAFF AUDITS**

#### **FCA’s Process for Complaints and Congressional Inquiries**

The objectives of the audit were to: document FCA’s existing processes for handling complaints/inquiries, benchmark FCA’s practices with some other financial regulatory agencies, and evaluate the efficiency and effectiveness of FCA’s processes and practices.

We found the Agency’s process for handling complaints and Congressional inquiries was adequate to meet the criteria established by Agency policy but improvements should be made. FCA’s process was generally comparable with those of other financial regulatory agencies selected for benchmarking; however, some practices of the other agencies were worthy of emulation. Recommendations focused on means to improve the Agency process in this area with emphasis on more timely and efficient service for the Agency’s customers. The report presented a total of five recommendations, all of which have been agreed to by management and the corrective actions have been implemented.

## **FCA's Use of Task Forces**

The objectives of this audit were to: document the use of Agencywide task forces over the preceding three fiscal years, benchmark other financial regulatory agencies use of task forces, and evaluate the efficiency and effectiveness of the FCA's use of task forces.

We concluded that the Agency's use of interoffice task forces could be improved. The contributions made by the task forces we reviewed were probably not, as a package, worth the associated costs. In addition, the combination of instances of unclear task force objectives and lack of action on some task force products has been a frustration to task forces members as well as other FCA staff. Recommendations focused on ways to strengthen the Agency's process for interoffice task forces to increase the effectiveness and efficiency of these activities.

The report presented a total of five recommendations, all of which have been agreed to by management.

## **AGENCY FINANCIAL MANAGEMENT SYSTEMS**

The Federal Financial Management Improvement Act of 1996 requires agencies to implement and maintain financial management systems that substantially comply with Federal financial management requirements, government accounting standards, and the U.S. Government standard general ledger. This act also requires the OIG to report on the Agency's compliance.

FCA implemented off-the-shelf software in FY 1994 which was sufficient to support unqualified opinions on the financial statements for fiscal years 1994, 1995 and 1996. However, the auditors did identify some systemic weaknesses in that software which were deemed a reportable condition. Management is now implementing a different software package for FY 1998 which appears to more fully comply with applicable requirements.

## **STATUS OF UNIMPLEMENTED AUDIT RECOMMENDATIONS**

Management's continued commitment to timely resolution of all audit recommendations is apparent, even though some slippage occurred in meeting the target dates for final action on some audit recommendations agreed to by management. One open recommendation currently exceeds the 12 month criteria for completion of final action established by section 5(b) of the Inspector General Act of 1978.

Management completed final action on several recommendations which were open at the beginning of this reporting period including: one from the report on FCA's Practices versus FCA's Expectations of Farm Credit System Institutions issued on September 26, 1996; and three from the report on FCA Financial Statements for Fiscal Years Ended 1996 and 1995 issued on November 27, 1996. Final action was also completed on five recommendations made during this

reporting period in the report on FCA's Process for Complaints and Congressional Inquiries issued on May 7, 1997.

The thirteen open recommendations at the close of this period are as follows: one from the report on FCA's Practices versus FCA's Expectations of Farm Credit System Institutions; one from the report on FCA Financial Statements for Fiscal Years Ended 1996 and 1995; six from the report on Agency Time Tracking System (ATTS) issued on January 16, 1997; and five from the report on FCA's Use of Task Forces issued on September 15, 1997.

## INVESTIGATIONS

At the beginning of this reporting period there were four open investigations. One additional investigation was opened during this period. Of those five investigations, two were closed during this six-month period. Both investigations concerned allegations of violations of Federal personnel law, but neither was substantiated.

At the close of this reporting period two investigations remain active and one investigation remains open awaiting further action. In the case of the inactive investigation, management has stated their commitment to resolving the problems in the affected office and has taken steps, although not complete, towards resolving the issues.

The OIG Hotline received eleven calls or walk-ins during this period which required action by this office. Four of the calls dealt with Farm Credit System borrower complaints and were either referred to the FCA division responsible for investigating such matters or we are awaiting further information from the complainant. Three calls concerned fraud in programs other than those under FCA's jurisdiction and were referred to the appropriate agency. One call was responded to by providing information about the FCA and the institutions it regulates. Three calls concerned complaints/allegations internal to FCA. Two were successfully resolved without necessitating formal investigations. The third allegation is currently in a preliminary review stage. The remainder of the Hotline calls required no investigative action by the OIG.

## LEGISLATION AND REGULATIONS

During this reporting period, OIG continued to track legislation of interest to the Inspector General community, the Agency and the Federal government. OIG reviewed three final Agency regulations; one which was developed under fast track regulation procedures to implement the Electronic Freedom of Information Act Amendments of 1996 (Public Law 104-231).

## OTHER ACTIVITIES

### **Survey of Farm Credit System (FCS) Institutions.**

OIG administers an ongoing survey of the regulated institutions of the FCS. This survey program is designed to provide the FCA Board with independent feedback concerning how well FCA is performing its examination and enforcement activities. OIG administers and reports the results of the survey to assure the confidential treatment of individual responses from FCS institutions. The chairman of the board and the chief executive officer of each FCS institution is surveyed following their receipt of FCA's report of examination to solicit their voluntary feedback on the quality and consistency of the examination/enforcement processes. During this reporting period, one quarterly status report was provided to the FCA Board and Executive Leadership Team.

### **Staff Participation in Activities of the Professional Community.**

OIG staff are encouraged to participate in organizations which contribute to the mission of the Inspector General community as well as their individual professional development. Most staff are actively involved in one or more professional organizations in addition to ad hoc activities of the Executive Council on Integrity and Efficiency/President's Council on Integrity and Efficiency.

**APPENDIX I**

**AUDIT REPORTS ISSUED BY FCA OIG**

April 1, 1997 to September 30, 1997

<b>AUDIT REPORTS</b>	<b>Number of Recommendations</b>	<b>Questioned Costs</b>	<b>Recommendations That Funds Be Put to Better Use</b>
FCA's Process for Complaints and Congressional Inquiries	5	\$ 0	\$ 0
FCA's Use of Task Forces	5	0	0
<b>Total</b>	<b>10</b>	<b>\$ 0</b>	<b>\$ 0</b>

**INSPECTOR GENERAL ISSUED REPORTS  
WITH QUESTIONED COSTS**

	Number		Dollar Value	
	Reports	Recs.	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

**INSPECTOR GENERAL ISSUED REPORTS WITH  
RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE**

	Number		Dollar Value
	Reports	Recs.	
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
Subtotals (A + B)	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. Reports for which no management decision was made within six months of issuance	0	0	0