October 27, 2010

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

Dear Chairman Strom, Board Member Spearman, and Board Member Long Thompson:

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 April 1 through September 30, 2010. This is the forty-third report since the establishment of the OIG on January 22, 1989.

I am submitting 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.

On July 26, 2010, the OIG issued a final report on an inspection of the Agency’s Adherence to the Government in the Sunshine Act. This inspection report contained one agreed-upon action. On August 30, 2010, we issued a final report on the audit of the Agency’s and the Office of Secondary Market Oversight’s Regulation and Policy Development Processes. No action items resulted from this audit. On September 16, 2010, the OIG issued a final report on the inspection of the Agency’s Borrower Complaint Processing. Ten agreed-upon actions resulted from this inspection. At the end of this reporting period, there were eleven open agreed-upon actions. Please refer to page 6-7 for further information.

The OIG contracted with the Bureau of the Public Debt for Brown & Company CPAs, PLLC, to perform the audit of FCA’s financial statements for fiscal year 2010. This audit was ongoing at the end of this reporting period. Please refer to page 7 for further information.
Also initiated and ongoing during this period is the OIG’s annual evaluation of the Agency’s compliance with the Federal Information Security Management Act. This annual evaluation is conducted by the OIG’s Senior Information Technology Auditor. Please refer to page 7 for further information.

If you have any questions, please call me at 4241 or 4030. I look forward to continuing a positive relationship between the OIG and the FCA Board which I view as a partnership, striving to strengthen FCA operations.

Respectfully,

Carl A. Clinefelter
Inspector General

Enclosure
## TABLE OF CONTENTS

**EXECUTIVE SUMMARY** ........................................................................................................... 1

**BACKGROUND** ......................................................................................................................... 2
  FARM CREDIT ADMINISTRATION................................................................................................. 2
  FARM CREDIT SYSTEM............................................................................................................... 2

**MANAGEMENT AND PERFORMANCE CHALLENGES** ............................................................. 3
  FARM CREDIT SYSTEM............................................................................................................. 3
    SAFETY AND SOUNDNESS...................................................................................................... 3
    MISSION.................................................................................................................................. 3
  FARM CREDIT ADMINISTRATION............................................................................................ 4
    AGRICULTURAL ECONOMIC DOWNTURN........................................................................ 4
    AGENCY GOVERNANCE.......................................................................................................... 4
    STRATEGIC PLANNING......................................................................................................... 5
    HUMAN CAPITAL................................................................................................................... 5
    LEVERAGING TECHNOLOGY................................................................................................. 5

**AUDIT, INSPECTION, AND EVALUATION REPORTS ISSUED** .................................................. 6
  INSPECTION OF FCA’S ADHERENCE TO THE GOVERNMENT IN THE SUNSHINE ACT ....... 6
  AUDIT OF FCA’S AND OSMO’S REGULATION AND POLICY DEVELOPMENT PROCESSES ... 6
  INSPECTION OF FCS BORROWER COMPLAINT PROCESSING ............................................. 7

**AUDITS, INSPECTIONS, AND EVALUATIONS IN PROGRESS** .................................................. 7
  INDEPENDENT FINANCIAL AUDIT OF FCA FOR FY 2010.................................................... 7
  FEDERAL INFORMATION SECURITY MANAGEMENT ACT
    EVALUATION FOR FY 2010............................................................................................... 7

**STATUS OF UNIMPLEMENTED RECOMMENDATIONS** ............................................................. 8

**INVESTIGATIONS** ....................................................................................................................... 8

**LEGISLATION AND REGULATIONS** ........................................................................................ 9

**OTHER ACTIVITIES** ................................................................................................................ 11
  QUARTERLY SURVEY OF FARM CREDIT SYSTEM INSTITUTIONS....................................... 11
  STAFF PARTICIPATION IN ACTIVITIES OF THE PROFESSIONAL COMMUNITY.................. 11
  STAFF PARTICIPATION IN AGENCY ORGANIZATIONS......................................................... 12
  STAFF DEVELOPMENT........................................................................................................... 12

**ANNEX** .................................................................................................................................... 12

**APPENDICES**
  APPENDIX A – INDEX OF REPORTING REQUIREMENTS............................................................. 13
  APPENDIX B – AUDIT, INSPECTION, AND EVALUATION REPORTS ISSUED.............................. 14
  APPENDIX C – REPORTS WITH QUESTIONED COSTS................................................................. 15
This Semiannual Report to the Congress summarizes the activities and accomplishments of the Farm Credit Administration’s (FCA or Agency) Office of Inspector General (OIG) for the period April 1 through September 30, 2010. The OIG’s efforts were directed toward implementing the OIG’s fiscal year (FY) 2010 strategic and operational plan and budget; performing audits, inspections, and evaluations of FCA programs and operations; conducting investigations, as necessary; independently and confidentially surveying Farm Credit System (FCS or System) institutions regarding the effectiveness of the Agency’s examination function and examiners; and providing objective, independent reporting and counsel to the Agency Chairman on FCA programs and operations.

During this reporting period, the OIG issued one audit report and two inspection reports. On July 26, a final inspection report on the Agency’s Adherence to the Government in the Sunshine Act was issued. On August 30, a final audit report on the Agency’s and the Office of Secondary Market Oversight’s (OSMO) Regulation and Policy Development Processes was issued. On September 16, a final inspection report on the Agency’s Borrower Complaint Processing was issued. As a result of these reports, there were 11 open agreed-upon actions at the end of this reporting period. See page 6-7 for further information.

The independent financial statement audit of FCA for FY 2010 was initiated. The OIG contracted with the Bureau of the Public Debt (BPD) for Brown and Company CPAs, PLLC (Brown & Co.) to perform the audit of FCA’s financial statements for FY 2010. This audit was ongoing at the end of this reporting period.

Also initiated and ongoing during this period is the OIG’s annual evaluation of the Agency’s compliance with the Federal Information Security Management Act (FISMA). This annual evaluation is conducted by the OIG’s Senior Information Technology (IT) Auditor.

Additionally, the OIG issued two quarterly reports to the Chief Examiner and FCA Chairman on results of OIG surveys of System institutions regarding the examination function and the examiners. These reports were for the quarters ended March 31 and June 30, 2010.
During the period, the OIG updated and issued its Strategic and Operating Performance Plan and Budgets for FYs 2011-2012 (SOPP). The SOPP is on the OIG’s website at http://www.fca.gov/Download/InspectorGeneral/Strategic&PerformancePlans/S&OPP11-12.pdf. Included in the SOPP is the OIG’s Audit Plan covering FYs 2011-2012 and beyond.

The OIG maintains five positions: the Inspector General (IG), a General Counsel, a Senior Auditor, a Senior IT Auditor, and an Administrative Assistant. Appendix G and Appendix H reflect the organizational structure of FCA and the OIG, respectively.

**BACKGROUND**

**Farm Credit Administration**

The FCA is an independent Federal agency of the United States government responsible for the regulation and examination of FCS institutions chartered under the Farm Credit Act of 1971, as amended (Farm Credit Act). FCA is also a “designated Federal entity” within the meaning of the Inspector General Act of 1978, as amended (IG Act).

As a non-appropriated agency, FCA funds its expenses primarily through assessments to the institutions it regulates. The Agency’s FY 2010 budget was $54,832,588. Assessments by FCA to FCS institutions for FY 2010 were $49,100,000, with other sources of funding totaling $5,732,588. The OIG’s FY 2010 budget was $1,088,219.

At the end of this reporting period, FCA had 288 employees, about half of which are examiners located in five field offices. At the end of the prior semiannual reporting period, the Agency had 274 employees. The increase is primarily due to the Office of Examination (OE) hiring entry-level examiner trainees.

**Farm Credit System**

The FCS is a Government-sponsored enterprise comprised of 5 Farm Credit banks and 87 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 four active service corporations organized under the Farm Credit Act that provide services to FCS entities and eligible borrowers.

**MANAGEMENT AND PERFORMANCE CHALLENGES**

As part of the Agency's annual Performance and Accountability Report, the IG is required by law to provide a summary statement on the most serious management and performance challenges facing the Agency. These challenges fall into two general categories. First are the challenges related to the FCA’s mandate of ensuring a safe, sound, and dependable FCS as a source of credit and related services to agriculture. Some of these challenges may be influenced by events that are outside the control of the Agency. Second, but no less important, are the challenges related to Agency operations.

**Farm Credit System**

**Safety and Soundness**

The System is a lender to a single industry, agriculture, and is therefore vulnerable to the economic volatility and risks in that industry. While the FCS remains generally safe and sound, adversity in several major commodity groups has caused deterioration in a number of FCS institutions. The Agency’s **challenge** is to continue to ensure the System’s ability to withstand such vulnerabilities and remain safe and sound in the long-term.

**Mission**

The environment facing agriculture, rural America, and the institutions of the FCS is ever-changing, presenting new opportunities and altering historical perspectives on System operations. FCA’s **challenge** is to continue to maintain an independent and objective, yet flexible and responsive, regulatory environment for the System, geared to continually ensuring the FCS fulfills its public policy purpose.
Farm Credit Administration

Agricultural Economic Downturn

There are many factors in agriculture today that have caused deterioration in a number of FCS institutions and may cause continued stress for FCS institutions. For example,

- the System has experienced rapid growth for several years, which has had the effect of eroding the System’s capital to assets ratio;
- large shared assets among many System institutions are experiencing serious difficulty;
- several major commodity groups are experiencing extreme stress;
- asset quality at many associations and several Farm Credit banks has deteriorated; and
- land values, which may not be sustainable, are high.

Thus, a challenge for the Agency is to ensure its ongoing ability to timely assess economic and operational conditions affecting the welfare of System institutions, and to take preemptive or remedial actions to ensure the ongoing safety and soundness of the System. The first line of preparedness for the Agency in accomplishing this is an effective examination and risk assessment program. Aligned with this is the challenge for the Agency to effectively and timely utilize its enforcement authorities. When significant deterioration in a System institution(s) is first evident, the Agency should expeditiously consider implementing appropriate rehabilitative enforcement measures.

Agency Governance

In early FY 2010, the FCA Board received two new members, filling out the FCA Board’s statutory three-person complement. One new member came on the FCA Board in October 2009 and the other in March 2010. This reemphasizes the need for the Chairman and Agency staff to ensure an environment in which new members may quickly learn their duties and responsibilities, and the mission and functioning of the Agency and the System. The Board member arriving in October 2009 received a newly implemented orientation program. The challenge for the Agency is to formalize and institutionalize an effective orientation and ongoing training program for FCA Board members. This should enable FCA Board members to readily become knowledgeable about Agency and System operations and issues, and be able to properly focus Agency resources through, for example, the strategic planning mechanism.
Strategic Planning

Since the adoption in May 2008 of the strategic plan for FYs 2008-2013, the FCA Board has a new Chairman and two new FCA Board Members. This change in Board leadership and the two new FCA Board Members provide an opportunity and a challenge to ensure the vision of the newly constituted FCA Board is timely incorporated into the next strategic plan.

In 2005, the FCA Board established a Strategic Planning Committee (SPC) composed of Agency staff to facilitate FCA Board input into the plan and the planning process. The SPC should ensure the updating and issuance by the FCA Board of the next 6-year strategic plan covering FYs 2011-2016.

Human Capital

In 2006, a 5-year strategic human capital plan was completed spanning FYs 2007-2011. The Agency has adopted a strategy of annually updating the plan, resulting in a moving 5-year plan. The plan is comprehensive and, because of the ongoing updating, reflective of current human capital issues facing the Agency. For example, in addressing the attrition of seasoned staff, the Agency has been actively recruiting and hiring at both the entry and midcareer-levels, particularly as it pertains to ensuring the ongoing capability of examination staff. FCA’s challenge is to continue to emphasize, implement, and update the human capital plan to ensure FCA has the staff it needs to effectively regulate a constantly evolving FCS, as managing human capital is an ever-present and evolving necessity. This is particularly important as it applies to the training and commissioning program for newly hired entry and midcareer-level examination staff.

Leveraging Technology

The Agency’s ability to leverage investments in new technologies is a key element in management’s efforts to continually improve Agency performance by increasing the efficiency and effectiveness of operations. The Agency has an active information resource management planning process that identifies, reviews, and prioritizes new IT initiatives that will improve Agency operations. Over the past couple of years, the Agency made significant investments in new technologies and began implementing several tools that improve communication, collaboration, and efficiency of operations. FCA’s challenge is to take full advantage of the new capabilities the IT infrastructure provides. The successful implementation of new technologies will provide FCA staff with the IT
tools and skills that will enable the Agency to:

- improve the quality and availability of data without creating an undue burden on the FCS;
- streamline business processes and enhance communication and collaboration to improve the effectiveness of how FCA interacts with the FCS, the public, and business partners;
- build business intelligence that will provide decision makers with timely management information;
- develop an electronic recordkeeping and knowledge management capability that effectively manages electronic data, documents, and reports; and protect FCA information systems and data from increasing external and internal threats.

**AUDIT, INSPECTION, AND EVALUATION REPORTS ISSUED**

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 Council of the Inspectors General on Integrity and Efficiency (CIGIE) Quality Standards for Inspections. Copies of most OIG reports are available on the FCA OIG web site [www.fca.gov/home/inspector.html](http://www.fca.gov/home/inspector.html), or by contacting the OIG at (703) 883-4030, or by TTY at (703) 883-4359, or by e-mail at ig_information@fca.gov.

**Adherence to the Government in the Sunshine Act (Sunshine Act)**

The OIG issued the final inspection report on July 26, 2010. The inspection’s objectives were to determine whether FCA adheres to the Sunshine Act and whether improvement is warranted. While the inspection found the Agency adheres to the Sunshine Act, there was one agreed-upon action that resulted.

**Regulation and Policy Development Processes**

The OIG issued the final audit report on August 30, 2010. The audit’s objective was to assess whether the Agency’s and OSMO’s regulation and policy development process is operating efficiently and complies with applicable Federal requirements. It was determined that the Agency and OSMO are in compliance. There were no action items as a result of this audit.
Borrower Complaint Processing

The OIG issued the final inspection report on September 16, 2010. The inspection's objective was to review FCA's process for reviewing, tracking, and responding to FCS borrowers' complaints and identify whether improvements are needed. While the borrower complaint handling process was determined to be functioning satisfactorily, ten agreed-upon actions resulted from the inspection. These agreed-upon actions were administrative in nature and designed to help strengthen an already satisfactorily functioning process.

AUDITS, INSPECTIONS, AND EVALUATIONS IN PROGRESS

Independent Financial Audit of FCA for FY 2010

The Accountability of Tax Dollars Act of 2002 extended to FCA and certain other agencies a requirement to submit to Congress and the Office of Management and Budget (OMB) an audited financial statement each fiscal year.

In continuing to assist the Agency in meeting these requirements, the OIG contracted with the BPD for Brown & Co. to perform the audit of FCA's financial statements for FY 2010. The audit remained ongoing at the end of this reporting cycle.

Federal Information Security Management Act Evaluation for FY 2010

The evaluation of the Agency's compliance with FISMA for FY 2010 is being performed by the OIG's Senior IT Auditor, using guidelines established by FISMA, OMB, and the National Institute of Standards and Technology. This evaluation also was ongoing at September 30, 2010.
STATUS OF UNIMPLEMENTED RECOMMENDATIONS

At the beginning of the reporting period, there were no open action items resulting from OIG audits, inspections, or evaluation reports. Eleven action items were opened during the reporting period.

<table>
<thead>
<tr>
<th>Audit, Inspection, and Evaluation Agreed-Upon Actions and Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report</td>
</tr>
<tr>
<td>Adherence to the Government in the Sunshine Act</td>
</tr>
<tr>
<td>Regulation and Policy Development Processes</td>
</tr>
<tr>
<td>Borrower Complaint Processing</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

INVESTIGATIONS

No hotline calls were received alleging impropriety that would fall within the purview of the OIG.

OIG Hotline calls and e-mails dealing with borrower complaints concerning FCS institutions and other FCS issues were referred to the FCA office or other Federal agency responsible for reviewing such matters.

No investigations were opened during the reporting period.
LEGISLATION AND REGULATIONS

In furtherance of the OIG’s mandate to review existing and proposed legislation and regulations, the IG or Counsel to the IG attend joint briefings of the FCA Board on regulations at the proposed and final stages. The following were reviewed by Counsel to the IG:

Legislation

1) Public Law 111-203, July 21, 2010, Dodd-Frank Wall Street Reform and Consumer Protection Act

2) Public Law 111-204, Improper Payment Elimination and Recovery Act of 2010, July 24, 2010: reduce and recover improper payments. IG is responsible for determining Agency compliance with seven requirements.

3) S. 629: The Part-Time Reemployment of Annuitants Act

4) S. 1132: The Law Enforcement Officers Safety Act Improvements Act of 2010

5) S. 3831: Creating IG for Bureau of Financial Protection

6) S. 3325: The Federal Contracting Oversight and Reform Act

7) S. 139 or S. 1490: The Data Breach and Personal Privacy and Security Acts of 2009


10) H.R. 885: Improved Financial and Commodity Markets Oversight and Accountability Act

11) S. 3217: The Restoring American Financial Stability Act


13) H.R. 5985: Javits-Wagner-O’Day Act

14) H.R. 5548, S. 3480: The Protecting Cyberspace as a National Asset Act
16) H.R. 4858: The Public Information Act of 2010
17) H.R. 4983: The Transparency of Government Act
18) H.R. 2142: The Government Efficiency, Effectiveness, and Performance Improvement Act
19) H.R. 553: The Reducing Over-Classification Act
20) H.R. 5726, S. 3323: The Federal Contracting Oversight and Reform Act

Final Rules
22) S.A.F.E. Act
24) Unified Agenda

Proposed Rules
25) Loan Policies and Operations – Loan Purchases from FDIC
26) Lending and Leasing Limits and Risk Management

Advanced Notice of Proposed Rulemaking
27) Capital Adequacy; Basel Accord Tier 1 and Tier 2 Capital Components
28) Farmer Mac Non Program Investments and Liquidity

Bookletters (BL)
29) Farm Credit System Bank Merger Applications (BL-063)
30) Evaluating Strategies and Risks for Loan Pricing and Structure (BL-062)

Briefings
31) Mission Related Investment Update
32) Young, Beginning, Small Farmers -Mission Performance 2009 Results

Notice and Request for Comments

33) Joint and Several Liability Reallocation Agreement

OTHER ACTIVITIES

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 examiners. The OIG issues a quarterly report and a summary report on the surveys’ results at the end of each FY to the Chief Examiner and the FCA Board.

During this 6-month period, we sent surveys to the Audit Committee Chairmen and Chief Executive Officers of 32 FCS institutions. Quarterly reports for the 3-month periods ended March 31 and June 30, 2010 were issued by the OIG to the Chief Examiner and the Chairman.

Staff Participation in Activities of the Professional 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 ad hoc activities of the CIGIE.

The IG serves as the Vice Chairperson of CIGIE, helps chair the monthly meetings of all Inspectors General comprising CIGIE, meets monthly with the Inspectors General from the other Federal financial regulatory agencies, and participates as a member of the CIGIE’s Inspection and Evaluation (I&E) Committee.

The OIG General Counsel meets monthly with counsels to the other Inspectors General. Counsel also attends Directors of Investigations meetings. Counsel also led, on behalf of CIGIE and the Council of Counsels to Inspectors General, the development of a course for new Offices of Inspector General attorneys.

The OIG Senior Auditor and Senior IT Auditor attend Federal Audit Executive Committee meetings and conferences. The Senior Auditor participates as a member of the I&E Committee’s Roundtable. The Senior IT Auditor also attends local ISACA (formerly known as Information Security and Control Association) meetings and Federal information security and audit meetings. The Senior IT Auditor is a member of CIGIE’s administrative operations task force charged with
developing a business, staffing, and financial plan as well as identifying and implementing the infrastructure needed to establish CIGIE operations.

In addition to all administrative duties, the OIG Administrative Assistant handles the registration and ongoing interface with the Institute of Internal Auditors for the auditors in 20 Offices of Inspector General at designated Federal entities.

Staff Participation in Agency Organizations

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

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 to enhance individual skills in the performance of official duties and meet the criteria needed to achieve OIG performance goals and objectives.

ANNEX

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

<table>
<thead>
<tr>
<th>Section (a)(x)</th>
<th>Requirement</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4(a)(2)</td>
<td>Review of Legislation and Regulations</td>
<td>9 – 11</td>
</tr>
<tr>
<td>5(a)(1)</td>
<td>Significant Problems, Abuses, and Deficiencies</td>
<td>None</td>
</tr>
<tr>
<td>5(a)(2)</td>
<td>Recommendations for Corrective Action</td>
<td>none</td>
</tr>
<tr>
<td>5(a)(3)</td>
<td>Prior Recommendations Not Yet Implemented</td>
<td>none</td>
</tr>
<tr>
<td>5(a)(4)</td>
<td>Matters Referred to Prosecutive Authorities</td>
<td>none</td>
</tr>
<tr>
<td>5(a)(5)</td>
<td>Summary of Instances Where Information Was Unreasonably Refused or Not Provided</td>
<td>none</td>
</tr>
<tr>
<td>5(a)(6)</td>
<td>List of OIG Audit/Inspection Reports Issued During the Period</td>
<td>6 - 7</td>
</tr>
<tr>
<td>5(a)(7)</td>
<td>Summary of Significant Reports Issued During the Period</td>
<td>6 - 7</td>
</tr>
<tr>
<td>5(a)(8)</td>
<td>Statistical Table on Management Decisions with Questioned Costs</td>
<td>15</td>
</tr>
<tr>
<td>5(a)(9)</td>
<td>Statistical Table on Management Decisions on Recommendations that Funds be put to Better Use</td>
<td>14</td>
</tr>
<tr>
<td>5(a)(10)</td>
<td>Summary of Each Audit Over Six Months Old for Which No Management Decision Has Been Made</td>
<td>none</td>
</tr>
<tr>
<td>5(a)(11)</td>
<td>Significant Revised Management Decisions</td>
<td>none</td>
</tr>
<tr>
<td>5(a)(12)</td>
<td>Significant Management Decisions with Which the Inspector General Disagreed</td>
<td>none</td>
</tr>
<tr>
<td>5(a)(13)</td>
<td>Compliance of Agency Financial Management System</td>
<td>7</td>
</tr>
</tbody>
</table>

#### FY 2008 NATIONAL DEFENSE AUTHORIZATION ACT CITATION AND REQUIREMENT

| Section 845 | Review of Legislation and Regulations                             | 9 - 11|

---

OIG SEMIANNUAL REPORT TO THE CONGRESS
APRIL 1 – SEPTEMBER 30, 2010

APPENDIX A
## Audit, Inspection, and Evaluation Reports Issued

<table>
<thead>
<tr>
<th>Title of Report</th>
<th>Number of Agreed Upon Actions/Recommendations</th>
<th>Questioned Costs</th>
<th>Recommendations That Funds Be Put to Better Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adherence to the Government in the Sunshine Act</td>
<td>1</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Regulation and Policy Development Processes</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Borrower Complaint Processing</td>
<td>10</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
</tr>
</tbody>
</table>
## APPENDIX C

### Reports with Questioned Costs

<table>
<thead>
<tr>
<th></th>
<th>Number</th>
<th>Dollar Value</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reports</td>
<td>Recommendations</td>
<td>Questioned Costs</td>
<td>Unsupported Costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. For which no management decision has been made by the commencement of the reporting period</td>
<td>0</td>
<td>0</td>
<td>$ 0</td>
<td>$ 0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B. Which were issued during the reporting period</td>
<td>0</td>
<td>0</td>
<td>$ 0</td>
<td>$ 0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotals (A+B)</td>
<td>0</td>
<td>0</td>
<td>$ 0</td>
<td>$ 0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. For which a management decision was made during the reporting period</td>
<td>0</td>
<td>0</td>
<td>$ 0</td>
<td>$ 0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) dollar value of disallowed costs</td>
<td>0</td>
<td>0</td>
<td>$ 0</td>
<td>$ 0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii) dollar value of costs not disallowed</td>
<td>0</td>
<td>0</td>
<td>$ 0</td>
<td>$ 0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D. For which no management decision has been made by the end of the reporting period</td>
<td>0</td>
<td>0</td>
<td>$ 0</td>
<td>$ 0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E. For which no management decision was made within six months of issuance</td>
<td>0</td>
<td>0</td>
<td>$ 0</td>
<td>$ 0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Reports with Recommendations that Funds be Put to Better Use

<table>
<thead>
<tr>
<th>A. For which no management decision has been made by the commencement of the reporting period</th>
<th>Number of Reports</th>
<th>Number of Recommendations</th>
<th>Dollar Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>$ 0</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B. Which were issued during the reporting period</th>
<th>Number of Reports</th>
<th>Number of Recommendations</th>
<th>Dollar Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>$ 0</td>
<td></td>
</tr>
</tbody>
</table>

**Subtotals (A + B)** | Number of Reports | Number of Recommendations | Dollar Value |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>$ 0</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>C. For which a management decision was made during the reporting period</th>
<th>Number of Reports</th>
<th>Number of Recommendations</th>
<th>Dollar Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>$ 0</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(i) Dollar value of recommendations that were agreed to by management</th>
<th>Number of Reports</th>
<th>Number of Recommendations</th>
<th>Dollar Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>--based on proposed management action</td>
<td>0</td>
<td>0</td>
<td>$ 0</td>
</tr>
<tr>
<td>--based on proposed legislative action</td>
<td>0</td>
<td>0</td>
<td>$ 0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(ii) Dollar value of recommendations that were not agreed to by management</th>
<th>Number of Reports</th>
<th>Number of Recommendations</th>
<th>Dollar Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>$ 0</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>D. For which no management decision has been made by the end of the reporting period</th>
<th>Number of Reports</th>
<th>Number of Recommendations</th>
<th>Dollar Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>$ 0</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>E. For which no management decision was made within six months of issuance</th>
<th>Number of Reports</th>
<th>Number of Recommendations</th>
<th>Dollar Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>$ 0</td>
<td></td>
</tr>
</tbody>
</table>
PEER REVIEWS CONDUCTED OF THIS OFFICE

In accordance with Section 989C of the Dodd-Frank Wall Street Reform and Consumer Protection Act signed by the President on July 21, 2010, which amended the IG Act, the following information is provided:

IG Act’s Section 5(a)(14)(A) – No external peer review of this office’s audit function was conducted during this reporting cycle.

A peer review of our audit function by the Commodity Futures Trading Commission was scheduled for this reporting period but was delayed. It was conducted in October 2010, but peer review results were not available for inclusion in this report.

IG Act's Section 5(a)(14)(B) – The most recent external peer review of this office’s audit function was for the year ended September 30, 2006, and was issued April 30, 2007. It determined that “…the system of quality control for the audit function of the FCA OIG in effect for the year ended September 30, 2006, has been designed to meet the requirements of the quality control standards established by the Comptroller General of the United States for a Federal government audit organization and was complied with during the year ended to provide the OIG with reasonable assurance of conforming with applicable auditing standards, policies, and procedures.” As required by the IG Act’s Section 5(a)(15), this office reports that all six recommendations in the April 30, 2007, audit peer review report have been fully implemented. The following is a link to this peer review report: http://www.fca.gov/Download/InspectorGeneral/Peer/2006PeerReviewOIGAuditFunction.pdf

The most recent external peer review of this office’s investigation function was for the year ended September 30, 2007. It was performed by the Securities and Exchange Commission’s Office of Inspector General and issued December 26, 2007. It determined that “…the system of internal safeguards and management procedures for the investigation function of the FCA OIG for the year ended September 30, 2007, are in full compliance with the quality standards established by the PCIE/ECIE. These safeguards and procedures provide reasonable assurance of conforming with professional standards in the conduct of its investigations.” There were no recommendations that resulted from this peer review. The following is a link to this peer review report: http://www.fca.gov/Download/InspectorGeneral/Peer/2007PeerReviewOIGInvestigativeFunction.pdf
PEER REVIEWS CONDUCTED BY THIS OFFICE

In accordance with Section 989C of the Dodd-Frank Wall Street Reform and Consumer Protection Act signed by the President on July 21, 2010, which amended the IG Act, the following information is provided:

IG Act’s Section 5(a)(16) – This office did not conduct any peer review of another Office of Inspector General during this reporting period.

The most recent audit peer review conducted by this office was of the Equal Employment Opportunity Commission’s Office of Inspector General (EEOCOIG). Our report was for the year ended March 30, 2008, and was issued September 4, 2008. Our report concluded that “…the system of quality control for the audit function of the OIG in effect for year ended March 30, 2008, has been designed in accordance with the quality standards established by the Comptroller General of the United States for a Federal Government audit organization and was complied with for the year ended to provide the OIG with reasonable assurance of conforming with applicable auditing standards, policies, and procedures.” While not impacting our opinion, our report contained seven recommendations designed to strengthen the EEOCOIG’s audit function. The EEOCOIG agreed with all recommendations. We have been apprised by the EEOCOIG that all have been implemented.

The most recent investigative peer review conducted by this office was of the Government Printing Office’s Office of Inspector General (GPOOIG). Our report was for the year ended February 7, 2005, and was issued June 1, 2005. Our report concluded that “…the system of internal safeguards and management procedures for the investigative function of GPO’s Office of Inspector General is in full compliance with the quality standards established by the PCIE/ECIE.” While not impacting our opinion, our report contained five suggestions with which the GPOOIG agreed. We have been advised by the GPOOIG that all have been implemented.
APPENDIX G

FCA Organizational Chart

Farm Credit Administration Board
Leland A. Strom, Chairman
Kenneth A. Spearman, Member
Jill Long Thompson, Member

Office of Inspector General
Carl A. Clinefelter

Office of Congressional and Public Affairs
Michael A. Stokie

Office of Secondary Market Oversight
Daniel Fennewald
Acting

Office of the Chairman and CEO
Leland A. Strom

Secretary to the Board
Roland E. Smith

Office of the Chief Operating Officer
William J. Hoffman

Office of Management Services
Stephen G. Smith

Office of Examination
S. Robert Coleman

Office of Regulatory Policy
Andrew D. Jacob

Office of General Counsel
Charles R. Rawls

1 The Dodd-Frank Wall Street and Consumer Protection Act, Public Law 111-203, amended the Inspector General Act, 5 U.S.C. App 3, changing the meaning of “head of the designated Federal entity.” The effect is that the Inspector General now reports to the full Board. Prior to the amendment, the FCA Chairman was the “head of the designated Federal entity” under the IG Act and the IG reported to the Chairman.

2 Reports to the Board for policy and to the CEO for administration.

3 Maintains a confidential advisory relationship with each of the Board members.
Office of Inspector General Organizational Chart

Inspector General
Carl A. Clinefelter

Administrative Assistant
Debra M. Miller

Counsel to the IG
Elizabeth M. Dean

Senior Auditor
Veronica G. McCain

Senior IT Auditor
Tammy F. Rapp

Carl A. Clinefelter, Inspector General

September 4, 2008
Glossary of Terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency</td>
<td>Farm Credit Administration</td>
</tr>
<tr>
<td>BL</td>
<td>Bookletter</td>
</tr>
<tr>
<td>BPD</td>
<td>Bureau of the Public Debt</td>
</tr>
<tr>
<td>Brown &amp; Company</td>
<td>Brown &amp; Company CPAs, PLLC</td>
</tr>
<tr>
<td>CIGIE</td>
<td>Council of the Inspectors General on Integrity and Efficiency</td>
</tr>
<tr>
<td>DFE</td>
<td>Designated Federal Entity</td>
</tr>
<tr>
<td>E.O.</td>
<td>Executive Order</td>
</tr>
<tr>
<td>Farm Credit Act</td>
<td>Farm Credit Act of 1971, as amended</td>
</tr>
<tr>
<td>Farmer Mac</td>
<td>Federal Agricultural Mortgage Corporation</td>
</tr>
<tr>
<td>FCA</td>
<td>Farm Credit Administration</td>
</tr>
<tr>
<td>FCS</td>
<td>Farm Credit System</td>
</tr>
<tr>
<td>FISMA</td>
<td>Federal Information Security Management Act</td>
</tr>
<tr>
<td>FY</td>
<td>Fiscal Year</td>
</tr>
<tr>
<td>H.R.</td>
<td>House Resolution</td>
</tr>
<tr>
<td>IG</td>
<td>Inspector General</td>
</tr>
<tr>
<td>IG Act</td>
<td>Inspector General Act of 1978, as amended</td>
</tr>
<tr>
<td>I&amp;E</td>
<td>Inspection and Evaluation</td>
</tr>
<tr>
<td>ISACA</td>
<td>Information Security and Control Association</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>OE</td>
<td>Office of Examination</td>
</tr>
<tr>
<td>OIG</td>
<td>Office of Inspector General</td>
</tr>
<tr>
<td>OMB</td>
<td>Office of Management and Budget</td>
</tr>
<tr>
<td>PAR</td>
<td>Performance and Accountability Report</td>
</tr>
<tr>
<td>SOPP</td>
<td>Strategic and Operating Performance Plan and Budgets for FY 2011-2012</td>
</tr>
<tr>
<td>SPC</td>
<td>Strategic Planning Committee</td>
</tr>
<tr>
<td>System</td>
<td>Farm Credit System</td>
</tr>
</tbody>
</table>
REPORT
Fraud | Waste | Abuse | Mismanagement

FARM CREDIT ADMINISTRATION
OFFICE OF INSPECTOR GENERAL

- Phone: Toll Free (800) 437-7322; (703) 883-4316
- Fax: (703) 883-4059
- E-mail: fca-ig-hotline@rcn.com
- Mail: Farm Credit Administration
  Office of Inspector General
  1501 Farm Credit Drive
  McLean, VA 22102-5090