

Semiannual Report to the Congress

April 1, 2014 through September 30, 2014



FARM CREDIT ADMINISTRATION

OFFICE OF INSPECTOR

GENERAL



Farm Credit Administration

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



October 16, 2014

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

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

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, 2014 through September 30, 2014. This is the fifty-first 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.

This reporting period, the OIG has experienced additional transitions regarding our personnel. We welcomed Sonya Cerne in May and Tori Kaufman in July, both auditors with prior Inspector General experience. Our Administrative Assistant, Debra Miller, put in her notice to retire with 36 years of Federal government service. Her position will be filled as a Management/Program Analyst.

This year the OIG changed independent public accounting firms to perform the audit of FCA's financial statements. Harper, Rains, Knight & Company, P.A. has the contract for Fiscal Year 2014. The audit is ongoing as of the end of the reporting period. We also began work on the OIG's annual evaluation of the Agency's compliance with the Federal Information Security Management Act.

We issued three audit reports during this reporting period on FCA's training and conference expenses, purchase card program, and travel card program. For the six-month period, there were 15 agreed-upon actions implemented, with 12 closed as of September 30, 2014. Please refer to pages 7-10 of the report for more information. We also initiated an audit on FCA's Examiner Commissioning Program. The objective of this audit is to determine whether FCA is effectively managing the program. Please refer to page 11 of the report for further information.

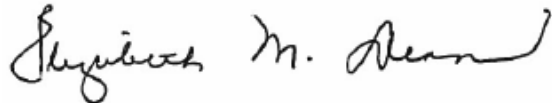
The OIG continues to send surveys to the Farm Credit System institutions following regulatory safety and soundness examinations and other interactions with the FCA Office of Examination (OE). The results of the surveys, evaluating the quality of the examination work and OE

interactions, are summarized without attribution on a quarterly basis. The FCA Board and OE find this to be a valuable measuring tool.

I would like to acknowledge the effective efforts of the OIG staff in diplomatically leading Agency management to focus on significant program issues, as well as FCA management's positive and timely reaction and improvement. I look forward to continuing a positive and effective relationship between the OIG and the FCA Board, a partnership striving continuously to strengthen FCA operations.

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

Sincerely,

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

Elizabeth M. Dean
Inspector General

Enclosure

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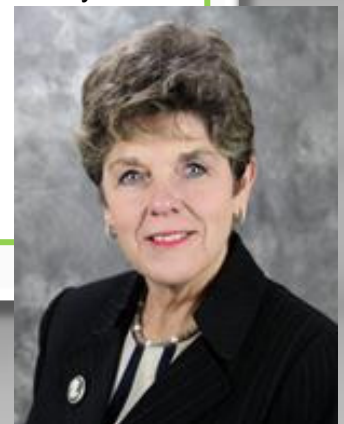



Message from the Inspector General

I am pleased to submit this Semiannual Report to the Congress. This report summarizes the activities and accomplishments of the Farm Credit Administration's (FCA or Agency) Office of Inspector General (OIG) for the period April 1 through September 30, 2014. The OIG's efforts were directed toward implementing the OIG's Fiscal Year (FY) 2014 strategic and operating plan and budget; performing audits, inspections, and evaluations of FCA programs and operations; conducting investigations; reviewing existing and proposed legislation and regulations relating to Agency programs and the IG community; and providing objective, independent reporting and counsel to the FCA Board on FCA programs and operations.

The OIG issued three audits during this reporting period. Additionally, the OIG issued surveys to FCS institutions, designed to review the quality of mission fulfillment, and provided a quarterly report to the Chief Examiner and FCA Board. The OIG also contracted with Harper, Rains, Knight & Company, P.A. to perform the audit of FCA's financial statements for FY 2014, which is ongoing. We initiated the OIG's annual evaluation of the Agency's compliance with the Federal Information Security Management Act (FISMA) during this period. During this period, the OIG also updated and issued its [Strategic and Operating Performance Plan for FYs 2015-2016](#), which includes the OIG's audit plan covering FYs 2015-2016 and beyond. In reaction to concerns expressed in Congressional discussion draft legislation, the FCA OIG and 14 additional OIGs formed a working group to analyze and make recommendations for Federal entities without IG oversight, including the Farm Credit System Insurance Corporation. Briefings with the Council of Inspectors General on Integrity and Efficiency and Congressional staff were held, and work is nearing completion.

I would like to welcome our two senior auditors hired this period and acknowledge the effective efforts of the OIG staff in diplomatically leading Agency management to focus on significant program issues. In conjunction, FCA management was positive and timely in reacting and making improvements. This year marks the 25th anniversary of the OIG, and I look forward to continuing a positive and effective relationship between the OIG and the FCA Board, a partnership striving to continuously strengthen FCA operations.

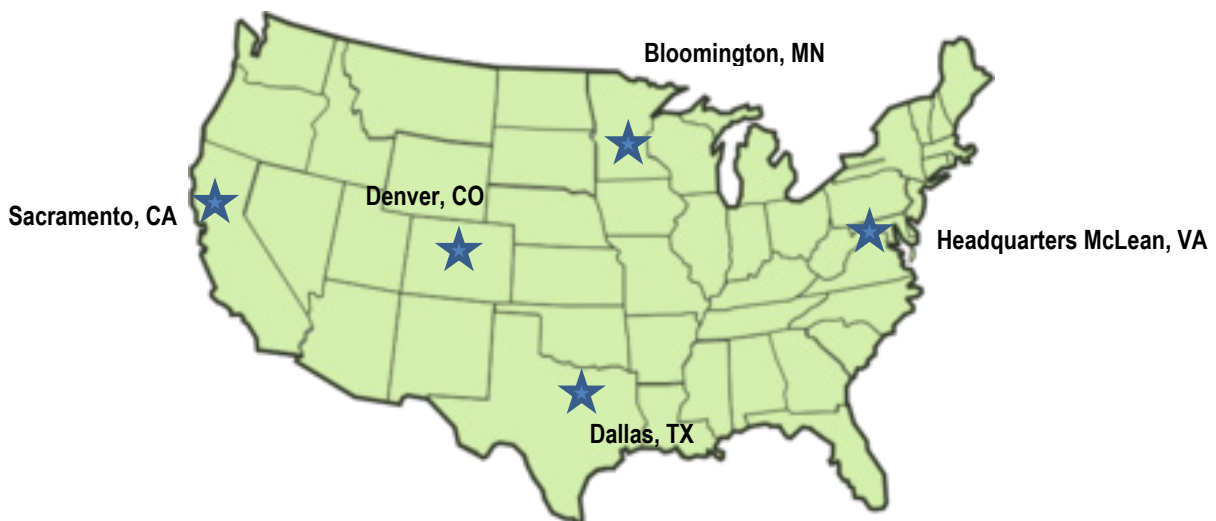


FARM CREDIT ADMINISTRATION

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 2014 budget was \$63,900,000. Assessments by FCA to FCS institutions are \$50,000,000 with other sources of funding totaling \$13,900,000.

At the end of the prior semiannual reporting period, the Agency had 274 employees. At the end of this reporting period, FCA had 286 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 78 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.

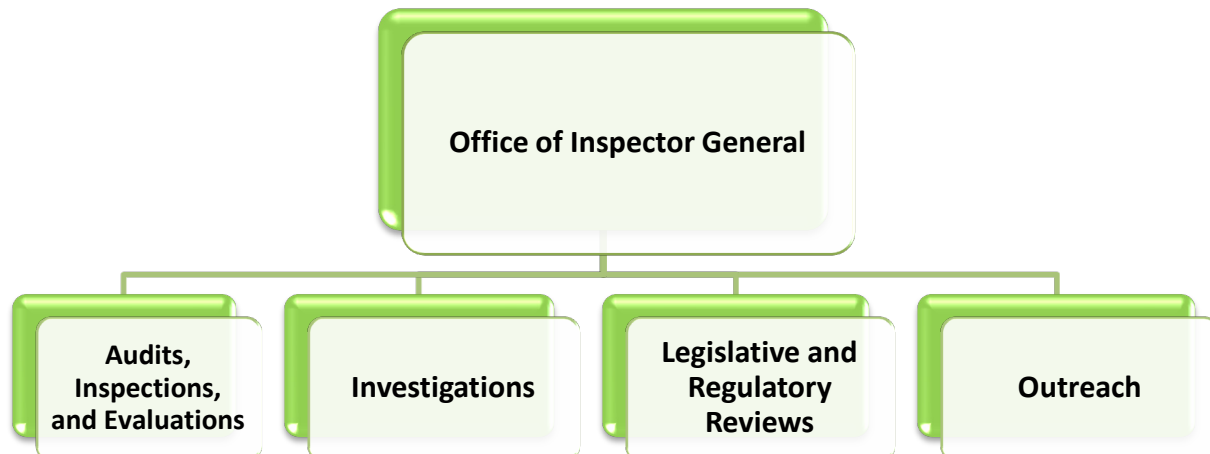
OFFICE OF INSPECTOR GENERAL

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

The Inspector General is appointed by the FCA Board without regard to political affiliation and solely based on integrity and demonstrated ability in accounting, auditing, financial analysis, management analysis, investigations, law, or public administration. The OIG's FY 2014 budget was \$1,264,912.

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

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



**THE INSPECTOR GENERAL ACT OF
1978, AS AMENDED, ESTABLISHED
THE OIG IN 1989, MAKING THIS YEAR
OUR 25TH ANNIVERSARY.**



Strategic Goals

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

Strategic Goal 1:

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

In pursuit of this goal, the OIG continues to provide quality reports to FCA management for improvement to programs. The OIG initiates a risk-based approach to FCA programs in determining the workload plan. During this reporting period, we issued three audit reports. The audit reports were issued timely and were constructive to improve Agency operations. As a result of our work, 15 recommendations were made to FCA management. Of these recommendations, all 15 were agreed-upon by FCA and 12 were closed during this reporting period. We also have three ongoing reviews to promote effectiveness and efficiency within FCA.

Strategic Goal 2:

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

The OIG provides technical advice to management in a variety of methods. For this reporting period, the OIG issued two management advisories to the FCA Board. One advisory report was issued regarding FCA's Interest Reserve. Another advisory report was issued to address the need for IG oversight of the Farm Credit System Insurance Corporation. The Inspector General also communicates with the Board on a regular basis on issues facing FCA, which provides an opportunity for discussion of relevant topics.

Strategic Goal 3:

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

The OIG continuously works to improve internal staff and processes. For this reporting period, our auditors attended the Federal Audit Executive Council's (FAEC) training. All OIG staff maintain requirements for their related professional standards. We participate in a peer review every three years, and we received a pass rating during our last peer review in June 2013. During this reporting period, internal reviews were conducted on our audit and inspection functions and legislative and regulatory internal controls.

Strategic Goal 4:

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

The IG Counsel performs the investigative function for the OIG. For this reporting period, four investigations were initiated and one was closed with a report of investigation. Six preliminary investigations were opened with five completed. We received 16 allegations from the OIG Hotline during the April to September timeframe, which resulted in 4 being referred within FCA and 12 referred to other agencies, responded to directly, or closed administratively.

Strategic Goal 5:

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

The OIG recognizes the importance of employees and managers reporting, and the OIG reacting, to suspected or observed wrongdoing. During this reporting period, the OIG updated the FCA OIG brochure. We use these brochures as an outreach method, along with briefings when requested, to educate individuals on the role of the OIG. In addition, we are in the process of updating our hotline poster for distribution.

Strategic Goal 6:

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

Reviewing and commenting on proposed and existing legislation and regulations affecting FCA and the IG community remain an important area for the OIG. During this reporting period, we reviewed 28 items under the following categories: legislation, proposed rule, final rule, regulation, and informational memorandum. Thorough efforts were undertaken to lead a workgroup responsive to Congressional initiatives for IG oversight of Federal entities.

Strategic Goal 7:

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

Outreach and communication are essential to the OIG's role. During this reporting period, the OIG presented a briefing to all new FCA employees on the OIG and employee responsibilities in reporting fraud, waste, and abuse. We also briefed a group of managers from the FCA's Office of Examination on the OIG process, planning, and areas of concern found during OIG reviews. The IG also conducted a site visit with the Denver field office and, together with the FCA Designated Agency Ethics Official, briefed FCA's Office of Regulatory Policy.

Strategic Goal 8:

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

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

Audits, Inspections, and Evaluations

REPORTS ISSUED

This reporting period, the OIG continued to provide FCA with high quality products. We issued three audit reports with 15 agreed-upon actions. We also have three in-process reviews that were initiated during this six-month period. The OIG issued 32 surveys to FCS institutions and issued one survey report to the Chief Examiner and FCA Board. The report summarizes stakeholder opinions on the quality and issues involved in mission execution. Lastly, two Management Advisories were issued to the FCA Board.



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

Copies of most OIG reports are available on our web site at www.fca.gov/home/inspector.html, or by contacting the OIG at (703) 883-4030, or by e-mail at ig_information@fca.gov.

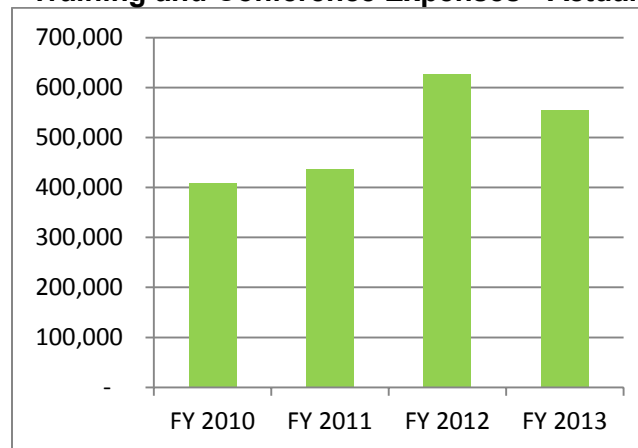
Audits, Inspections, and Evaluations

FCA's Training and Conference Expenses

FCA provides training opportunities to its employees to enhance the performance of their official duties. We performed this audit to determine the effectiveness of controls related to training, conference, and related travel expenses.

Overall, we found FCA has effective controls over training and conference expenses. FCA issued policies and procedures that were in line with laws and regulations and training was consistent with job responsibilities and FCA's mission. Additionally, FCA minimized expenses associated with agency sponsored conferences and training.

Training and Conference Expenses - Actual



However, we found FCA's Office of Management Services (OMS) needed to update policies and procedures and strengthen controls over the training program to ensure compliance with agency policies and procedures.

As a result of our audit, OMS agreed to:

- Determine appropriate thresholds for training approvals, update policies and procedures, and add increased controls in the approval process for higher cost training.
- Implement additional controls to ensure:
 - appropriate authorizations and supporting documentation are obtained and maintained,
 - training and consulting costs are appropriately allocated, and
 - reporting requirements are met.
- Update record retention policies and institute controls over the training database to ensure independent verification is required before purging documents.

The final report was issued on September 22, 2014.

Audits, Inspections, and Evaluations

FCA's Purchase Card Program

FCA participates in the government-wide General Services Administration's (GSA) SmartPay Purchase Card Program. In accordance with the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), the OIG assessed FCA's charge card programs, including the purchase card program. We initiated this audit as part of our ongoing efforts in this area. The objective of this audit was to determine whether FCA's oversight is effective. Overall, we found that FCA's oversight is effective. FCA established and implemented controls over the purchase card program.



We identified changes needed to improve the purchase card program. A limited number of cardholders had not consistently followed established policies and procedures and certain processes needed to be documented. We judgmentally sampled 471 transactions from Fiscal Year 2013 and October 1-May 15 of Fiscal Year 2014. From the judgmental sample, we identified nine transactions totaling \$1,968 from four field office cardholders related to unauthorized food purchases. Cardholders had also not kept supporting documentation for 45 transactions, as required. We also found OMS had not documented the reasoning behind three cardholders' limits that were higher than the standard amount and certain activities deviated from policy in regard to approvals.

As a result of our audit, OMS completed the following actions:

- Provided education to cardholders and Approving Officials on purchase card policies and documentation requirements.
- Distributed a template of an acceptable standard agency buy form.
- Documented justification for cardholders with higher limits.
- Documented exceptions to current processes with signatures from Approving Officials.

The final report was issued on September 5, 2014.

Audits, Inspections, and Evaluations

FCA's Travel Card Program

For travel, FCA participates in the GSA SmartPay Travel Card Program. The objective of this audit was to determine whether FCA's oversight of the travel card program is effective. We found that the Agency's oversight was generally effective; however, additional changes will improve the program.

We found 48 of the 347 transactions reviewed contained unauthorized transactions that included: cash advances outside authorized timeframes, expenses charged outside of official travel, and improper hotel charges. We also identified one employee who had not used a government travel card for official travel, as required. In addition, two employees identified as having restricted accounts did not have lower limits on their travel cards. We noted 27 instances of delinquent accounts that went into presuspension status and 4 accounts with a suspension status due to nonpayment. We also found two employees who left FCA and yet remained on the open status report for travel cards.



Lastly, we found that FCA's policies and procedures should be updated. FCA's policies on travel cards and disciplinary and adverse actions did not identify consequences following an employee's failure to comply with applicable travel charge card terms and conditions and applicable agency regulations. There were inconsistencies between the Charge Card Management Plan and other FCA policies and procedures.

OMS completed the following actions as a result of the audit:

- Provided education to cardholders regarding agency policies.
- Determined a process to distribute quarterly transaction activity reports.
- Documented procedures on placing or removing an account in restricted status and changes to travel card limits.
- Incorporated a new process to reconcile open status accounts.
- Documented check out procedures.
- Updated FCA's PPM 711, PPM 826, and the Charge Card Management Plan.

The findings in the report were consistent with those identified throughout the Federal government according to the Office of Management and Budget's (OMB) report to Congress on the implementation of the Charge Card Act. The final report was issued on August 19, 2014.

AUDITS AND EVALUATIONS IN PROCESS

FY 2014 Independent Financial Statement Audit of FCA

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

In continuing to assist the Agency in meeting these requirements, the OIG contracted with Harper, Rains, Knight & Company, P.A. to perform the audit of FCA's financial statements for FY 2014. The audit remained ongoing at the end of this reporting period. For FY 2013, the OIG contracted with the Bureau of Fiscal Service for Brown & Company to perform the audit. The audit resulted in an unmodified opinion, issued November 20, 2013.

FY 2014 Federal Information Security Management Act Evaluation

The evaluation of the Agency's compliance with the Federal Information Security Management Act (FISMA) for FY 2014 is performed by the OIG's Senior Information Technology Auditor using guidelines established by FISMA, OMB, and the National Institute of Standards and Technology. This evaluation was ongoing as of September 30, 2014.

FCA's Examiner Commissioning Program

The Examiner Commissioning Program is designed to provide training to associate examiners in FCA's Office of Examination through a segmented approach in developmental stages. The program certifies achievement of competencies and is a predominant mission-related function. The Commissioning Program is a multiple-year program, with commissioning achieved through successful performance on the commissioning test. The objective of this audit is to determine whether FCA is effectively managing the Examiner Commissioning Program. The audit began in September 2014.

Audits, Inspections, and Evaluations

STATUS OF AGREED-UPON ACTIONS AND RECOMMENDATIONS

In total, there were 15 agreed-upon actions added from our three issued audits for the reporting period. We did not have any recommendations open at the beginning of the period to carry over. As of September 30, 2014, three recommendations remain open.

Audit, Inspection, and Evaluation Agreed-Upon Actions and Recommendations				
Report	Issued	Open During this 6-Month Period	Final Management Actions During this Period	Open on 10/1/2014
FCA's Training and Conference Expenses	9/22/2014	3	0	3
FCA's Purchase Card Program	9/5/2014	4	4	0
FCA's Travel Card Program	8/19/2014	8	8	0
Total		15	12	3

QUARTERLY SURVEY OF FARM CREDIT SYSTEM INSTITUTIONS

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

Second Quarter Fiscal Year 2014 Farm Credit System Survey

In April 2014, the OIG issued 21 surveys to FCS institutions relevant to the examination program during the second quarter of FY 2014. Of those issued the surveys, 18 responded. The OIG issued the summary report in June 2014 to the Chief Examiner and the FCA Board.

In July 2014, 11 surveys were issued to FCS institutions relevant to the examination program during the third quarter of FY 2014. Third quarter results are currently being compiled.

MANAGEMENT ADVISORY REPORTS

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

During this reporting period, the OIG issued two management advisories to the FCA Board:

- Board members were advised of the need for independent, objective oversight of the Farm Credit System Insurance Corporation (FCSIC). FCSIC is currently not subjected to oversight by any IG, including FCA OIG. FCA and FCSIC are managed by the same three-member board of directors; however, the same member may not serve as Chairman of both entities.
- The OIG advised the FCA Board on FCA's Interest Reserve and the need to review the Interest Reserve Strategy to decide whether changes through a revised Board policy, delegations, or revisions to the current format are appropriate. The Agency revised its policy on budget formulation to include annual reserve approvals by the FCA Board.

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

Investigations

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



During this reporting period, the OIG opened four investigations, with one investigation completed and forwarded to management for administrative action. Three investigations are pending, including one being worked with other federal law enforcement agencies. Two matters were identified during the course of an OIG audit. One matter was referred to prosecutive authorities

OIG also conducted preliminary investigations on five complaints and a sixth matter that was identified during the course of an OIG audit of the agency's conference and training expenses. Five of these preliminary investigations were completed, and the allegations unsubstantiated. One remained open at the end of the reporting period. The allegations involved alleged unequal treatment in personnel matters, including promotions, and application of policies and procedures.

HOTLINE

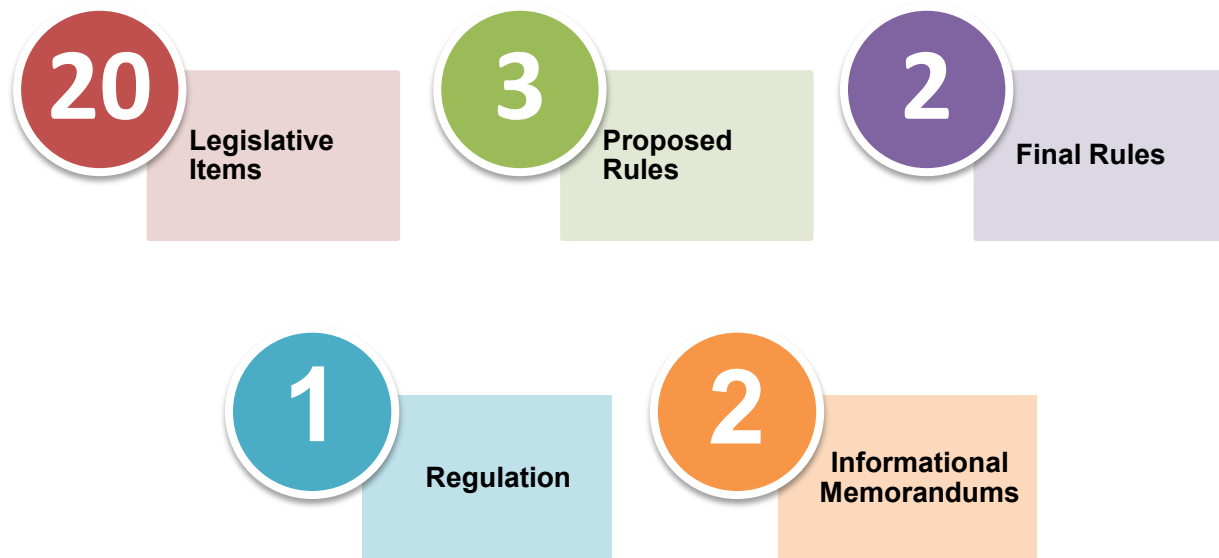
During the reporting period, OIG also received calls and emails on the OIG Hotline. The OIG Hotline is available 24 hours a day, 7 days a week, to receive tips and complaints about fraud, waste, or abuse relating to FCA programs and operations. The Hotline allows individuals to report their allegations to the OIG directly and confidentially.

Of the calls and emails the OIG received on its Hotline, 16 involved matters that were referred, responded to, or considered closed. The OIG conducted preliminary investigations and/or opened investigations on all matters within OIG's jurisdiction. Four of the Hotline calls or emails were borrower complaints concerning FCS institutions, including allegations of loan fraud, improper loan processing, conflict of interest, and unfair treatment of institution employees. These four complaints were referred to the FCA office responsible for reviewing such matters.

One of the hotline calls the OIG received involved a bankruptcy filing order. The OIG responded to the order by working with the cognizant bankruptcy trustee and FCS institution to ensure future orders were submitted to the associated Farm Credit institution. The remaining hotline calls and emails were closed or referred to other federal agencies as they involved matters outside OIG's jurisdiction. These included a loan that involved property with alleged environmental issues that was referred to the Environmental Protection Agency and allegations that were referred to the U.S. Department of Homeland Security and the U.S. Department of Housing and Urban Development.

Legislative and Regulatory Reviews

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



The following were reviewed:

Legislation

- 1) IG Oversight of Small Agencies (Discussion Draft, Senator McCaskill)
- 2) H.R. 1211, FOIA Oversight and Implementation Act of 2014
- 3) S. 994, Digital Accountability and Transparency Act of 2014
- 4) H.R.4487, Legislative Branch Appropriations Act
- 5) S. 1953, Oversight Workforce Improvement Act of 2014
- 6) Amendments to Legislation to Amend Improper Payments Elimination and Recovery Act of 2010 (IPERA)
- 7) H.R. 4245, Transparency in Government Act of 2014

Legislation and Regulations Review

- 8) H.R. 4312, Public Online Information Act of 2014
- 9) H.R. 3370, Homeowner Flood Insurance Affordability Act of 2014)
- 10) H.R. 2548, Electrify Africa Act of 2014
- 11) H.R. 4533, NSA Internal Watchdog Act
- 12) S. 2263, Stop Wasteful Federal Bonuses Act of 2014
- 13) S. 2381, Flood Insurance Market Parity and Modernization Act of 2014
- 14) S. 1681, 2014 Intelligence Authorization Act
- 15) H.R. 4934, Regulatory Agency De-militarization Act
- 16) H.R. 4937, Protection Against Wasteful Spending Act of 2014
- 17) S. 2439, NSA Internal Watchdog Act of 2014
- 18) S. 2430, Special Inspector General for Monitoring the ACA Act of 2014
- 19) S. 1347, Conference Accountability Act of 2013
- 20) Inspector General Empowerment Act of 2014

Proposed Rule

- 21) Regulatory Capital Rules: Regulatory Capital, Implementation of Tier 1/Tier 2 Framework, 12 CFR Parts 607, 614, 615, and 620
- 22) RULE: 12 CFR Parts 611 and 615, Organization; Funding and Fiscal Affairs, Loan Policies and Operations, and Funding Operations; Investment Eligibility
- 23) RULE: Margin and Capital Requirements for Covered Swap Entities

Final Rule

- 24) Final Rule Repealing Non-binding, Advisory Votes on Compensation for CEO and Senior officers of System banks or associations, 12 CFR Parts 611, 620, and 630
- 25) Final Notice of Intent, Statement on Regulatory Burden

Regulations

- 26) To amend FCA's Standards of Conduct and Referral of Known or Suspected Criminal Violations; Standards of Conduct (12 CFR part 612, subpart A)

Informational Memorandum

- 27) "Revised Guidelines on Submission of Proposals to Merge or Consolidate Farm Credit System Associations"
- 28) "Informational Memorandum: Guidance for Investment Requests under § 615.5140(e) of Farm Credit Administration Regulations"

OIG Oversight

During this reporting period, the Honorable Claire McCaskill, Chairman, Subcommittee on Financial and Contracting Oversight, held a hearing on April 10, 2014. In conjunction with the topic of enhanced oversight of entities without IGs, a discussion draft was developed. In it, various entities without IG oversight and nine small IGs were proposed to be consolidated with larger, existing IGs.

Following the hearing, Senator McCaskill asked for a response from CIGIE, as well as entities impacted by the legislation. To that end, the FCA IG is on the CIGIE Legislation Committee and assisted in formulating a response to include an IG Council paper from 1986 when similar issues had arisen.

In addition, the IG formed and co-chaired a work group of 15 OIGs who analyzed entities lacking oversight and made recommendations for risk-based oversight. There is also an offshoot workgroup focused on general enhancements for CIGIE.

Staff Participation in Activities within the Inspector General Community

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

The Inspector General is a member of CIGIE, which provides a forum for IGs from various government agencies to discuss government-wide issues and shared concerns. Collectively, the members of CIGIE work toward improving government programs and operations. The IG also serves as a member of CIGIE's Legislation Committee and participates as a member of CIGIE's Inspection and Evaluation Committee, and is the Chair of the Small IG group.

During this reporting period, the OIG joined the Small Agency Oversight Working Group, and the IG is serving as co-chair. The working group consists of both large and small OIGs, and has been focused on work to analyze and recommend best solutions for entities without IG oversight. The workgroup meets at least once each week, and has been drafting a proposal describing possible models for oversight.

The Counsel to the Inspector General is active in the Council of Counsels, the CIGIE Records Management Working Group, and the quarterly meetings for Assistant Inspectors General for Investigations. The OIG Senior IT Auditor and Senior Auditors attend FAEC meetings and conferences. The IT Auditor is also actively involved in the IT Subcommittee of the FAEC and is currently developing a security program for CIGIE. The Senior IT Auditor attends local ISACA (formerly known as Information Security and Control Association) meetings.

Staff Participation in Agency Organizations

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

Organizational Briefings

This reporting period, the OIG conducted several informational briefings. Each year, FCA holds an orientation for all new employees. In July 2014, OIG presented a briefing at the orientation. The briefing included OIG responsibilities, employee responsibilities, and a brochure on the FCA OIG.

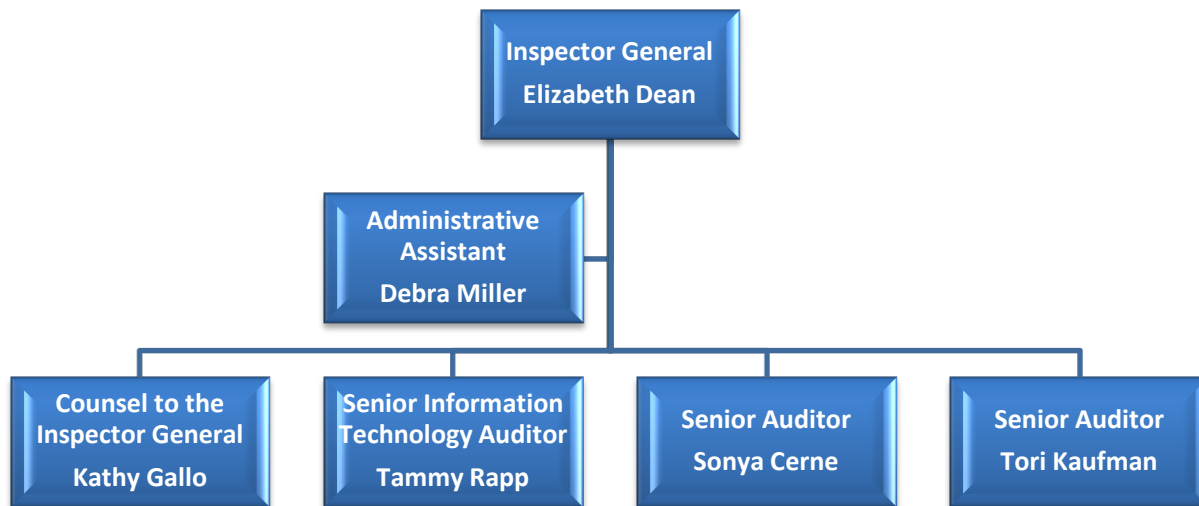
The OIG also periodically conducts site visits with FCA field offices. During this six-month period, the IG conducted a site visit with the Denver field office. The OIG also presented during a FCA Office of Examination managers meeting and, together with the Designated Agency Ethics Official, at the Office of Regulatory Policy staff meeting.

Staff Development

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

Personnel Changes

The OIG had numerous personnel changes this reporting period. We have filled two Senior Auditor positions. Both auditors bring prior Inspector General experience to the office. In addition, our Administrative Assistant will retire in October 2014. We have announced a new position to fill the vacancy as a Management/Program Analyst, and we will work to fill the vacancy as soon as possible. The following organizational chart shows the OIG as of September 30, 2014:



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	15 - 17
5(a)(1)	Significant problems, abuses, and deficiencies	None
5(a)(2)	Recommendations for corrective action	22
5(a)(3)	Prior recommendations not yet implemented	None
5(a)(4)	Matters referred to prosecutive authorities	14
5(a)(5)	Information unreasonably refused or not provided	None
5(a)(6)	List of reports issued	7-10
5(a)(7)	Summaries of significant reports	8-10
5(a)(8)	Management decisions with questioned costs	23
5(a)(9)	Management decisions on recommendations that funds be put to better use	23
5(a)(10)	Prior audit reports unresolved	None
5(a)(11)	Significant revised management decisions	None
5(a)(12)	Significant management decisions with which the Inspector General disagreed	None
5(a)(13)	Compliance of Agency financial management system	11
5(a)(14)(15)	Peer reviews conducted of this OIG	25
5(a)(16)	Peer reviews conducted by this OIG	26
845	FY 2008 National Defense Authorization Act Citation and Requirement	20

Audit, Inspection, and Evaluation Reports Issued			
Report	Number of Agreed Upon Actions/Recommendations	Questioned Costs	Recommendations That Funds Be Put to Better Use
Audit of FCA's Training and Conference Expenses	3	\$ 0	\$ 0
Audit of FCA's Purchase Card Program	4	\$ 0	\$ 0
Audit of FCA's Travel Card Program	8	\$ 0	\$ 0
<i>Total</i>	15	\$ 0	\$ 0

Reports with Questioned Costs				
	Number		Dollar Value	
	Reports	Recom- mendations	Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period.	0	0	\$ 0	\$ 0
B. Which were issued during the reporting period.	3	15	\$ 0	\$ 0
<i>Subtotals (A+B)</i>	3	15	\$ 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.	3	15	\$ 0
<i>Subtotals (A+B)</i>	3	15	\$ 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
Architect of the Capitol Office of Inspector General	June 26, 2013	Audit	Pass
U.S. Securities and Exchange Commission Office of Inspector General	December 26, 2007	Investigations	Pass

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

Glossary of Terms

Agency	– Farm Credit Administration
BFS	– Bureau of Fiscal Service
Brown & Co.	– Brown & Company CPAs, PLLC
CIGIE	– Council of the Inspectors General on Integrity and Efficiency
Farm Credit Act	– Farm Credit Act of 1971, as amended
Farmer Mac	– Federal Agricultural Mortgage Corporation
FCA	– Farm Credit Administration
FCS	– Farm Credit System
FISMA	– Federal Information Security Management Act
FY	– Fiscal Year
H.R.	– House of Representatives
IG	– Inspector General
IG Act	– Inspector General Act of 1978, as amended
ISACA	– Information Security and Control Association
IT	– Information Technology
NCUA	– National Credit Union Administration
OE	– Office of Examination
OIG	– Office of Inspector General
OMB	– Office of Management and Budget
Pub. L.	– Public Law
S.	– Senate
System	– Farm Credit System

R E P O R T

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