

Semiannual Report to the Congress

April 1, 2015 through September 30, 2015



FARM CREDIT ADMINISTRATION

OFFICE OF INSPECTOR

GENERAL



Table of Contents

Message from the Inspector General	1
Background	2
Strategic Goals	4
Audits, Inspections, and Evaluations	8
REPORTS ISSUED	8
AUDITS AND EVALUATIONS IN PROCESS	11
STATUS OF AGREED-UPON ACTIONS AND RECOMMENDATIONS	12
Other Reports	13
QUARTERLY SURVEY OF FARM CREDIT SYSTEM INSTITUTIONS	13
MANAGEMENT ADVISORY REPORTS	13
Investigations	14
Legislative and Regulatory Reviews	14
Congressional Interaction	14
Outreach	14
OIG Staff	14
Annex	14
Appendix A	14
Appendix B	14
Appendix C	14
Appendix D	14
Appendix E	14
Appendix F	14
Appendix G	14
Appendix H	14



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, 2015 through September 30, 2015. The OIG's efforts were directed toward implementing the OIG's Fiscal Year (FY) 2015 strategic and operating performance plan and budget. The OIG does so by performing audits, inspections, and evaluations of FCA programs and operations; conducting investigations; reviewing existing and proposed legislation and regulations relating to Agency programs and the IG community; and providing objective, independent reporting and consultation with the FCA Board.

The OIG issued two audit reports during this reporting period on *FCA's Mobile Device Cost Controls* and *FCA's Personnel Security and Suitability Program*. Additionally, the OIG issued 30 surveys to FCS institutions, designed to obtain feedback on the quality of the examination program. Two survey reports summarizing the results were delivered to the Chief Examiner and FCA Board. We contracted with Harper, Rains, Knight & Company, P.A. to perform the audit of FCA's financial statements for FY 2015, which we anticipate will be issued in November 2015. During this period, the OIG also initiated an audit on *Human Capital Planning*. Additionally, we initiated the OIG's independent evaluation for the *Federal Information Security Modernization Act*. Five findings from OIG audits were addressed by FCA management and closed.

I would like to acknowledge the effective efforts of the talented OIG staff in diplomatically leading Agency management to focus on significant program issues. In conjunction, FCA management continues to be forthright in reacting to OIG findings and making improvements. I look forward to continuing our positive relationship with managers and collaboration with the FCA Board, as we continue to strengthen FCA operations to meet the needs of American agriculture, keeping the nation's economy strong and helping meet global food needs.

Elizabeth M. Allen

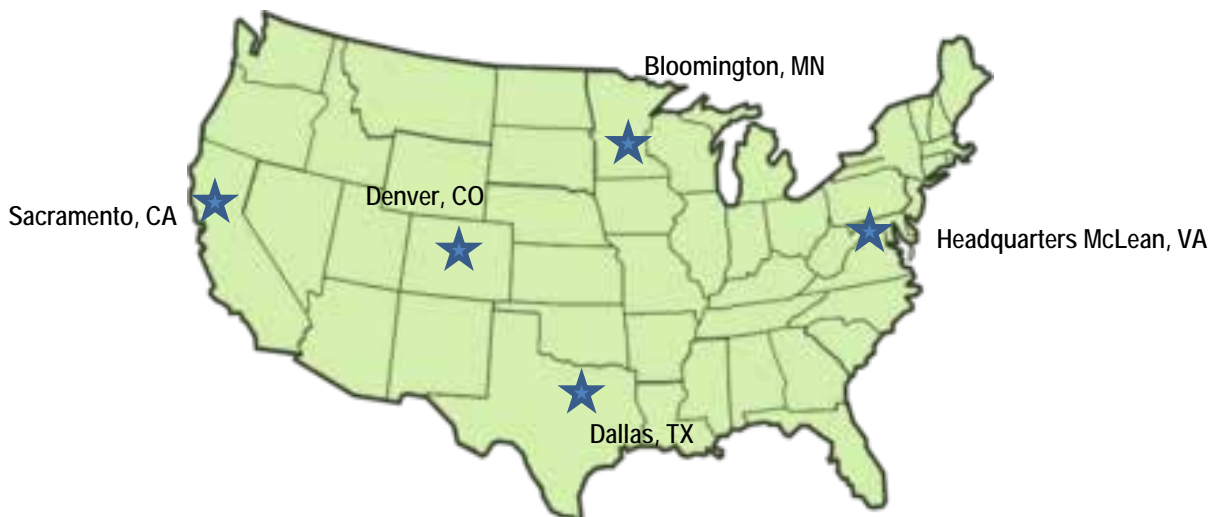


FARM CREDIT ADMINISTRATION

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

As a non-appropriated agency, FCA funds its expenses primarily through assessments to the institutions it regulates. FCA's Fiscal Year 2015 budget was \$65,600,000. FCA's proposed Fiscal Year 2016 budget is \$69,400,000.

At the end of the prior semiannual reporting period, the Agency had 284 employees. At the end of this reporting period, FCA had 298 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 74 lending associations in all 50 states and Puerto Rico that primarily make loans to agriculture. The System raises funds by selling securities in the national and international money markets through its special purpose entity, the Federal Farm Credit Banks Funding Corporation. These securities are not guaranteed by the U.S. Government.

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

OFFICE OF INSPECTOR GENERAL

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

The Inspector General is appointed by the FCA Board without regard to political affiliation and solely based on integrity and demonstrated ability in accounting, auditing, financial analysis, management analysis, investigations, law, or public administration. The OIG's FY 2015 budget was \$1,445,925. The OIG's FY 2016 budget is \$1,493,393.

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

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



Strategic Goals

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

Strategic Goal 1:

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

In pursuit of this goal, the OIG continues to provide quality reports to FCA management for improvement to programs. The OIG initiates a risk-based approach to FCA programs in determining the workload plan. During this reporting period, we issued two audit reports relating to FCA's mobile device cost controls and the personnel security and suitability program. The issued reports were timely and constructive to improve Agency operations. As a result of our work, seven recommendations were made to FCA management. Of these recommendations, all seven were agreed-upon and three were closed. Two recommendations were also closed from prior reporting periods. We also have ongoing audits on human capital planning, the financial statement and the FISMA evaluation.

Strategic Goal 2:

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

The OIG provides technical advice to management in a variety of methods. For this reporting period, the OIG issued one Management Advisory to the FCA Board. Based on statutory changes to the Federal Records Act, the advisory recommended changes to FCA policy and notifications regarding preservation of personal emails and text messages that constitute federal records. In response, the Agency issued revised guidance to employees on record retention requirements relating to personal emails and text messaging. An all hands message was also issued. The Inspector General communicates with the Board on a regular basis on issues facing FCA, which provides an opportunity for discussion of relevant topics.

Strategic Goal 3:

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

The OIG continuously works to improve internal staff and processes. All OIG staff maintain requirements for their related professional standards. We participate in a peer review every three years, and we received a pass rating during our last peer review in June 2013. Our next peer review is scheduled for the third quarter FY 2016. We updated our office directives in the following areas: workpapers; audit follow up and tracking; and OIG reporting and recordkeeping. We also developed a new directive on Ethics. The OIG also conducts an annual quality assurance review on the audit function and assesses internal controls on a continuous basis.

Strategic Goal 4:

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

The IG Counsel performs the investigative function for the OIG. For this reporting period, two reports of investigation were issued. Eight investigations were closed, and as of the end of the reporting period, there were four investigations pending. Of the eight closed investigations, none resulted in substantiated allegations although one allegation was resolved during the course of the OIG investigation and another investigation led to a recommendation to the agency to reevaluate personnel actions and an administrative procedure. We received six allegations from the OIG Hotline during the April to September timeframe, and these were closed or referred to FCA programs or other Federal agencies as they involved matters outside the OIG's jurisdiction.

Strategic Goal 5:

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

The OIG recognizes the importance of employees and managers reporting, and the OIG reacting, to suspected or observed wrongdoing. During this reporting period, we included information on reporting fraud in the OIG's presentation during the Agency-wide new employee orientation. We also continued our work on fraud awareness briefings and publications, including publication of new OIG Hotline posters and publication of intra-Agency news articles that addressed whistleblower protections, time and attendance fraud, and misuse of government property.

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 is an important area for the OIG. During this reporting period, we reviewed 28 items, including 16 legislative initiatives; four final rules; one proposed rule; and eight Informational Memoranda issued by the FCA Office of Examination. These issuances addressed a myriad of issues, including but not limited to:

- Farm Credit System institutions' whistleblower protection programs;
- Cybersecurity assessments within Farm Credit System institutions;
- Loans in areas having special flood hazards;
- Improper government payments;
- Grants oversight;
- Transparency in government; and
- IG empowerment and access issues.

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. The OIG briefed incoming employees on the OIG's history, mission, reporting and fraud awareness at FCA's new employee orientation. The OIG also issued letter reports to Congress, which OIG started posting on its public webpage during this reporting period. OIG attended Congressional hearings, responded to Congressional inquiries, and updated Congressional staff on issued OIG reports.

The OIG worked closely with the Agency in developing more streamlined procedures to ensure 508 compliance, and in the whistleblower arena, issued updated posters and IG publications. The OIG renewed its status to maintain compliance with the Office of Government Ethics section 2302(c). The OIG also made recommendations to the Agency on records management, recruitment and other issues.

Strategic Goal 8:

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

OIG staff participate in workgroups, conferences, and training related to the IG community, FCA, and the Federal government. The IG is a member of the Executive, Legislation, and Inspection and Evaluation Committees of the Council of Inspectors General on Integrity and Efficiency (CIGIE). The CIGIE Legislation Committee has engaged in several responses to legislative efforts and congressional hearings. The Counsel is Vice-Chair of CIGIE's Council of Counsels, and participates in associated working groups, including the CIGIE Records Administration Group and FOIA. The auditors are involved with CIGIE cross-cutting audits, the FAEC, the Inspection and Evaluation Roundtable, and OIG Community Public Affairs.

Audits, Inspections, and Evaluations

REPORTS ISSUED

This reporting period, the OIG continued to provide FCA with high quality products. We issued two audit reports with seven agreed-upon actions. We have three in-process audits and evaluations, all initiated during this six-month period. The OIG also issued 30 surveys to FCS institutions and issued two reports on survey results to the Chief Examiner and FCA Board. The reports summarize survey results and stakeholder opinions on the quality and issues involved in mission execution. Lastly, one Management Advisory was issued to the FCA Board.



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

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

Mobile Device Cost Controls at FCA

Mobile devices such as smartphones and tablets are one of the tools the Agency uses to keep employees connected to its' information systems and each other. Additionally, mobile devices are part of the Agency's continuity of operations and emergency response strategy. It is the Agency's policy to provide mobile devices to employees based on the business needs of each office and the Agency. The FCA incurred \$192,787 in wireless communications expenses from October 23, 2013, through October 22, 2014. Additionally, the FCA purchased \$18,762 in mobile devices.

The objective of our audit was to determine whether the FCA had implemented effective cost controls for mobile devices and related services.

We concluded that the FCA used a sound approach for selecting a smartphone and wireless communications service provider. Additionally, invoices for wireless communications service were reviewed for accuracy prior to payment.

We also identified areas that could reduce the cost of monthly wireless communication expenses and decrease the amount of data usage consumed. A review of the wireless communications service provider's Rate Plan Analysis Report and historical voice minute usage revealed that approximately \$15,000 per year could be saved by reducing the voice minutes for smartphones. As a result of our audit, the Office of Management Services and the Office of Information Technology implemented the following actions that will improve the management of mobile devices:

1. Develop procedures for obtaining the Rate Plan Analysis Report from its wireless communications provider on a semi-annual basis and evaluating the benefits of proposed changes to plans.
2. Educate users on prohibited uses and the impact of excessive data usage.
3. Identify users exceeding the 5 GB threshold during a billing cycle and notify the user and their supervisor of the data usage during that cycle.

The final report was issued July 31, 2015.

Audits, Inspections, and Evaluations

FCA's Personnel Security and Suitability Program

FCA's Personnel Security and Suitability Program is responsible for ensuring that employment and retention within the federal service is consistent with public trust and national security. Primary responsibility for the program is assigned to FCA's Office of Management Services (OMS) with overall operations managed by the Personnel Security Officer (PSO). The majority of Agency employees are high, moderate and low risk with no national security sensitivity, and investigations are completed by the Office of Personnel Management (OPM). For Fiscal Year (FY) 2014 and 2015, FCA allocated about \$300,000 to complete background investigations.

FCA uses OPM required systems to track required timeframes for initiating investigations, validate reciprocity, and ensure consistency in risk designations. Risk designations for each Agency position are completed using OPM's required Position Designation Tool (PDT). All background investigations are initiated and adjudicated by the PSO. Adjudication is the evaluation of data in background investigations, as well as any other relevant and reliable information, to determine whether an employee is suitable for government employment.

Our objective was to determine whether FCA has effectively managed the Personnel Security and Suitability Program. Overcoming weaknesses from past efforts, FCA, in recent times, made significant progress in updating and improving its Personnel Security and Suitability Program. The current PSO reviewed employees' security files and updated the spreadsheet for tracking investigations. Additional steps are necessary to ensure items identified by the PSO are addressed and all Agency employees have the appropriate background investigation for their position.

As a result of our audit, OMS agreed to:

- Review and implement internal control procedures to ensure the PSO's tracking spreadsheet, security files, and risk designations are accurate and complete.
- Finalize the designation of an Alternate PSO so that appropriate resources are available to fulfill the requirements of the Personnel Security and Suitability Program.
- Update Procedures for:
 - Deciding and documenting position risk level and sensitivity to ensure all positions have a PDT designation that is appropriate for the duties and responsibilities of the position.
 - Maintaining and organizing PDT records.
- Revise processes to ensure employees are cleared or pre-appointment investigative requirements are waived before entering high risk positions.

The final report was issued September 29, 2015.

AUDITS AND EVALUATIONS IN PROCESS

Audit of FCA's Financial Statements Fiscal Year 2015

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

In continuing to assist the Agency in meeting these requirements, the OIG contracted with Harper, Rains, Knight & Company, P.A. to perform the audit of FCA's financial statements for FY 2015. The audit remained ongoing at the end of this reporting period. For FY 2014, the OIG also contracted with Harper, Rains, Knight & Company, P.A. to perform the audit. The FY 2014 audit resulted in an unmodified opinion, issued November 30, 2014.

FY 2015 Federal Information Security Modernization Act Evaluation

The evaluation of the Agency's compliance with the Federal Information Security Modernization Act (FISMA) for FY 2015 is performed by the OIG's Senior Information Technology Auditor and Senior Auditor using guidelines established by FISMA, OMB, and the National Institute of Standards and Technology. This evaluation was ongoing as of September 30, 2015.

Audit of Human Capital Planning at FCA

An effective human capital program is essential to ensure the Agency has the right people with the right skills to accomplish its mission as a financial regulator. The Human Capital Plan documents the Agency's plans for the next five years and aligns with the Agency's Strategic Plan toward the following goals: leadership and knowledge management, results-oriented performance culture, and talent management.

The objective of this audit is to assess the adequacy of the Agency's human capital planning and the effectiveness of its implementation. The audit is focused on the following three areas: key person dependency and succession planning; employee turnover and recruiting; and workplace diversity and inclusion. The audit began in April 2015 and is ongoing as of the end of the reporting period.

Audits, Inspections, and Evaluations

STATUS OF AGREED-UPON ACTIONS AND RECOMMENDATIONS

In total, there were seven agreed-upon actions added from two reports issued for the reporting period. We had twelve actions open at the beginning of the period to carry over. As of September 30, 2015, fourteen agreed-upon actions remained open.

Audit, Inspection, and Evaluation Agreed-Upon Actions				
Report	Issued	Open During this 6-Month Period	Final Management Actions During this Period	Open on 9/30/2015
Mobile Device Cost Controls	7/31/2015	3	3	0
Personnel Security and Suitability Program	9/29/2015	4	0	4
FCA's Enforcement and Special Supervision Processes	3/31/2015	3	1*	2
FCA's Commissioning Program	3/31/2015	9	1**	8
<i>Total</i>		19	5	14

*One recommendation was closed for the Audit of FCA's Enforcement and Special Supervision Processes. FCA's OE provided training to all examiners and staff on supervision and enforcement authorities, regulatory requirements on reporting known or suspected criminal activity, and the criminal referral process.

**One recommendation was closed for the Audit of FCA's Commissioning Program. OE and OMS established a plan, including timeframes, to compete Commissioning Program contractor services to manage risks of reliance on one source and ensure the best value to the Agency.

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

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

- **Second Quarter Fiscal Year 2015 Farm Credit System Survey**

In April 2015, the OIG issued 14 surveys to FCS institutions for feedback on the examination program and staff on the second quarter of FY 2015. Twelve FCS institutions responded. The OIG issued a summary report in June 2015 to the Chief Examiner and the FCA Board.

- **Third Quarter Fiscal Year 2015 Farm Credit System Survey**

In July 2015, the OIG issued 16 surveys to FCS institutions for feedback on the third quarter of FY 2015. Fifteen institutions responded. The OIG provided a summary report in September 2015 to the Chief Examiner and the FCA Board.

MANAGEMENT ADVISORY REPORTS

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

During this reporting period, the OIG issued one management advisory to the FCA Board. On April 16, 2015, the OIG issued a management advisory addressing amendments to the Federal Records Act. OIG urged management to change FCA policy and notify staff of the updated requirements for preservation of personal emails and text messages constituting federal records. In response, the Agency issued revised guidance to employees on record retention requirements relating to personal emails and text messaging.

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

Investigations

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



Investigations

During this reporting period, the OIG issued two Reports of Investigation; closed eight investigations, including six preliminary investigations; and closed the reporting period with four pending investigations. The closed investigations involved allegations relating to various issues, including alleged interference with the EEO counseling process; personnel suitability; and personnel selections. None of the investigations resulted in substantiated allegations, although one allegation was resolved while the investigation was proceeding and another investigation led to a recommendation that the agency reevaluate a personnel action and administrative procedure. Some of these investigations did not require referral to the agency for administrative action. In the EEO counseling process investigation, the Agency notified the OIG within 16 days that it had taken appropriate management action.

Investigations pending at the close of this reporting period include an investigation that awaits Agency action, and three investigations, one of which was opened in April 2015 and the other two opened in September 2015.

Hotline

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

During the reporting period, the OIG received six Hotline complaints, and all six complaints were referred, responded to, administratively closed, or closed after referral for OIG investigation. One complaint was closed because it involved matters outside OIG's jurisdiction and had already been sent to the cognizant agency. Three were closed after referral for OIG investigation and the remaining two were borrower complaints concerning FCS institutions, and these were referred to the FCA office responsible for reviewing these matters.

Legislative and Regulatory Reviews

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



The following were reviewed:

Legislation

- 1) H.R. 2395 and S. 579, Inspector General Empowerment Act of 2014
- 2) S. 614 and H.R. 2320, Federal Improper Payments Coordination Act of 2015
- 3) S. 742, Stop Wasteful Federal Bonuses Act of 2015
- 4) S. 754, Cybersecurity information Sharing Act of 2015
- 5) H.R. 1560, Protecting Cyber Networks Act
- 6) H.R. 1381, Transparency in Government Act of 2015
- 7) S. 846, H.R. 3328, Small Business Regulatory Sunset Act of 2015
- 8) S. 794, A bill to extend whistleblower protections for defense contractor employees to employees of contractors of the elements of the intelligence community
- 9) H.R. 2826, Government Transformation Act
- 10) H.R. 2807, Sunshine on Government Act of 2015
- 11) H.R. 2532, EASY Savings Act of 2015
- 12) S. 1115, Grants Oversight and New Efficiency Act ("GONE" Act)
- 13) S. 1527, Improving Department of State Oversight Act of 201
- 14) H.R. 1557, Federal Employee Antidiscrimination Act
- 15) S. 1990, Federal Computer Security Act

Proposed Rule

- 1) *Proposed: Regulatory Capital, Implementation of Tier 1/Tier 2 Framework Regulatory Capital Rules: Regulatory Capital, Implementation of Tier 1/Tier 2 Framework*, 12 CFR Parts 607, 614, 615, 620 and 628, 79 Fed. Reg. 76927

Final Rules

- 1) *Organization and Functions; Field Office Locations*, 12 CFR Part 600, 80 Fed. Reg. 40896 (7-14-2015)
- 2) *Loans in Areas Having Special Flood Hazards*, Joint Agency Regulation, 12 CFR Part 614, 80 Fed. Reg. 43216 (7-21-2015)
- 3) *Organization; Institution Stockholder Voting Procedures*, 12 CFR Part 611, 80 F.R. 44258 (7-27-2015)
- 4) *Organization; Mergers, Consolidations, and Charter Amendments of Farm Credit System Banks or Associations*, 12 CFR Part 611, 80 F.R. 51113 (8-24-2015)

Informational Memoranda

- 1) *Amendments to Asset-Size Exemption Thresholds under Regulation Z and Integrated Mortgage Disclosures under Regulation X and Regulation Z* (4-2-2015)
- 2) *Notice of Prohibition and Orders of Removal, Suspension, or Prohibition* (4-16-2015)
- 3) *TILA-RESPA Integrated Mortgage Disclosures – Clarification of Borrower Stock and Participation Certificates Disclosure* (4-28-2015)
- 4) *Farm Credit Administration Reduces Assessment* (5-29-2015)
- 5) *Safety and Soundness of the Farm Credit System* (7-7-2015)
- 6) *Whistleblower Programs* (7-9-2015)
- 7) *Cybersecurity Assessment and Expectations for System Institutions* (8-5-2015)
- 8) *National Oversight Plan for Fiscal Year 2016* (9-24-2015)

Congressional Interaction

During this reporting period, the OIG met with Congressional staff members and attended hearings on various issues relating to OIG access concerns across the OIG community and the related U.S. Department of Justice, Office of Legal Counsel opinion issued in July of 2015. The OIG also provided input for responses to post-hearing questions submitted to the CIGIE by Senate staffers.

The OIG issued letter reports to the:

- Senate Committee on Homeland Security and Governmental Affairs;
- Senate Agriculture, Nutrition and Forestry Committee; and
- House Committee on Oversight and Government Reform.

The letter reports included information on limitations placed on the OIG's access to documents, information, or Agency employees; open OIG audit recommendations; OIG salaries and the conduct of financial statement audits; and OIG oversight of how the Agency responds to Freedom of Information Act (FOIA) requests.

Staff Participation in Activities within the IG Community

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

The Inspector General is a member of CIGIE, which provides a forum for IGs from over 70 government agencies to discuss government-wide issues and shared concerns. Collectively, the members of CIGIE work toward improving government programs and operations, work that involves, for example: comments on proposed legislation; development of projects involving cross-cutting issues; and training development. The IG was appointed to the CIGIE Executive Committee as the Member-At-Large in January 2015. The IG also serves as a member of CIGIE's Legislation Committee and participates as a member of CIGIE's Inspection and Evaluation Committee, and is the Chair of the Small IG group. The IG has a leadership role on committees and workgroups and has initiated group projects to advance and streamline CIGIE practices and processes.

The Counsel to the Inspector General continues her leadership role in the Council of Counsels of IGs (CCIG) as one of two Vice Chairs to the CCIG for 2015. The Counsel is also involved in the CIGIE Records Management Working Group and attends the quarterly meetings for three additional CIGIE groups – the Assistant Inspectors General for Investigations, Deputy IGs, and the Small OIGs CCIG Working Group. The Counsel also contributes frequently to requests for assistance throughout the CCIG community.

The OIG Senior IT Auditor and Senior Auditors are participating in cross-cutting audit projects and attend FAEC meetings and conferences. The IT Auditor attends local ISACA meetings, is actively involved in the IT Subcommittee of the FAEC, and assists CIGIE with their information security program. One Senior Auditor is also a member of the CIGIE Roundtable on Inspections and Evaluations, and is an Adjunct Instructor for CIGIE's Training Institute.

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

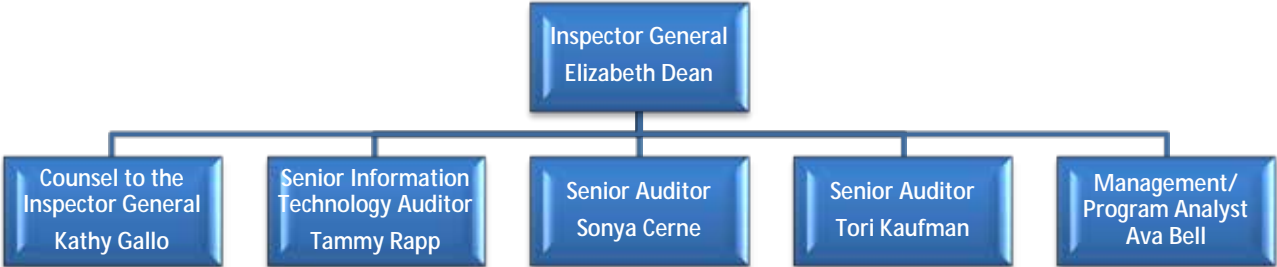
Organizational Briefings and Notifications

The OIG has distributed posters identifying Hotline and contact information and continues to develop its Fraud Awareness program to provide training and guidance to FCA employees on reporting responsibilities, fraud indicators, methods of reporting, and protections provided to whistleblowers under Federal law and policy. OIG has also published several articles on fraud and whistleblower topics.

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

The following organizational chart shows the OIG as of September 30, 2015:



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.

Index of Reporting Requirements

SECTION	TITLE	Page
4(a)(2)	Review of legislation and regulations	15-16
5(a)(1)	Significant problems, abuses, and deficiencies	None
5(a)(2)	Recommendations for corrective action	8-12
5(a)(3)	Prior recommendations not yet implemented	None
5(a)(4)	Matters referred to prosecutive authorities	None
5(a)(5)	Information unreasonably refused or not provided	None
5(a)(6)	List of reports issued	8-12
5(a)(7)	Summaries of significant reports	9-12
5(a)(8)	Management decisions with questioned costs	23
5(a)(9)	Management decisions on recommendations that funds be put to better use	24
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

Appendix B

Audit, Inspection, and Evaluation Reports Issued			
Report	Number of Agreed Upon Actions/Recommendations	Questioned Costs	Recommendations That Funds Be Put to Better Use
FCA's Mobile Device Cost Controls	3	\$ 0	\$ 15,000
FCA's Personnel Security and Suitability Program	4	\$ 0	\$ 0
<i>Total</i>	7	\$ 0	\$ 15,000

Appendix C

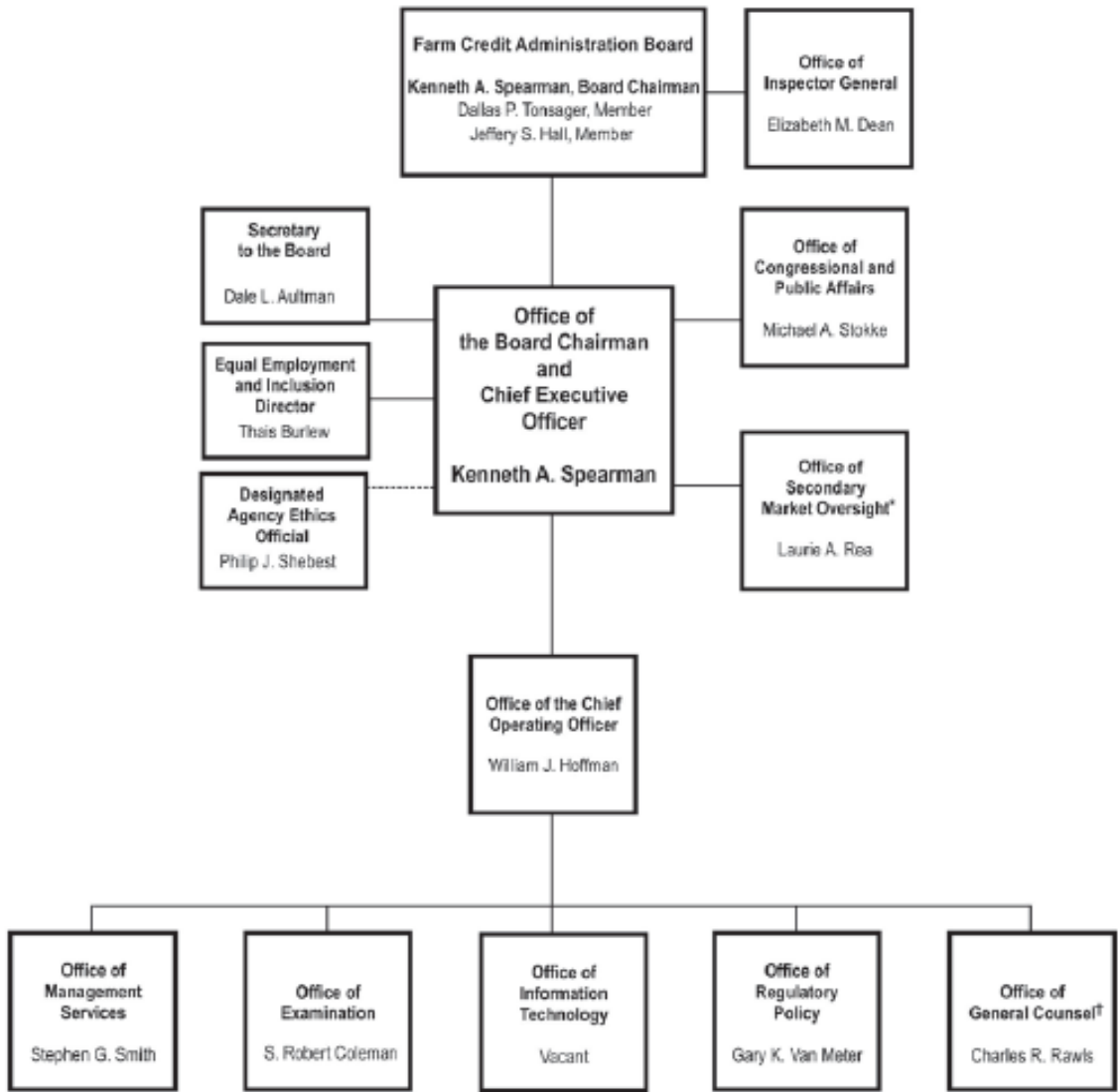
Reports with Questioned Costs				
	Number		Dollar Value	
	Reports	Recommendations	Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period.	0	0	\$ 0	\$ 0
B. Which were issued during the reporting period.	0	0	\$ 0	\$ 0
<i>Subtotals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

Reports with Recommendations that Funds be Put to Better Use			
	Number of Reports	Number of Recommendations	Dollar Value
A. For which no management decision has been made by the commencement of the reporting period.	0	0	\$ 0
B. Which were issued during the reporting period.	1	3	\$ 15,000
<i>Subtotals (A+B)</i>	1	3	\$ 15,000
C. For which a management decision was made during the reporting period.	0	0	\$ 0
(i) dollar value of recommendations that were agreed to by management	0	0	\$ 0
- based on proposed management action	0	0	\$ 0
- based on proposed legislative action	0	0	\$ 0
(ii) dollar value of recommendations that were not agreed to by management	0	0	\$ 0
D. For which no management decision has been made by the end of the reporting period.	0	0	\$ 0
E. For which no management decision was made within six months of issuance.	0	0	\$ 0

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

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

FCA ORGANIZATIONAL CHART



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

Glossary of Terms

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