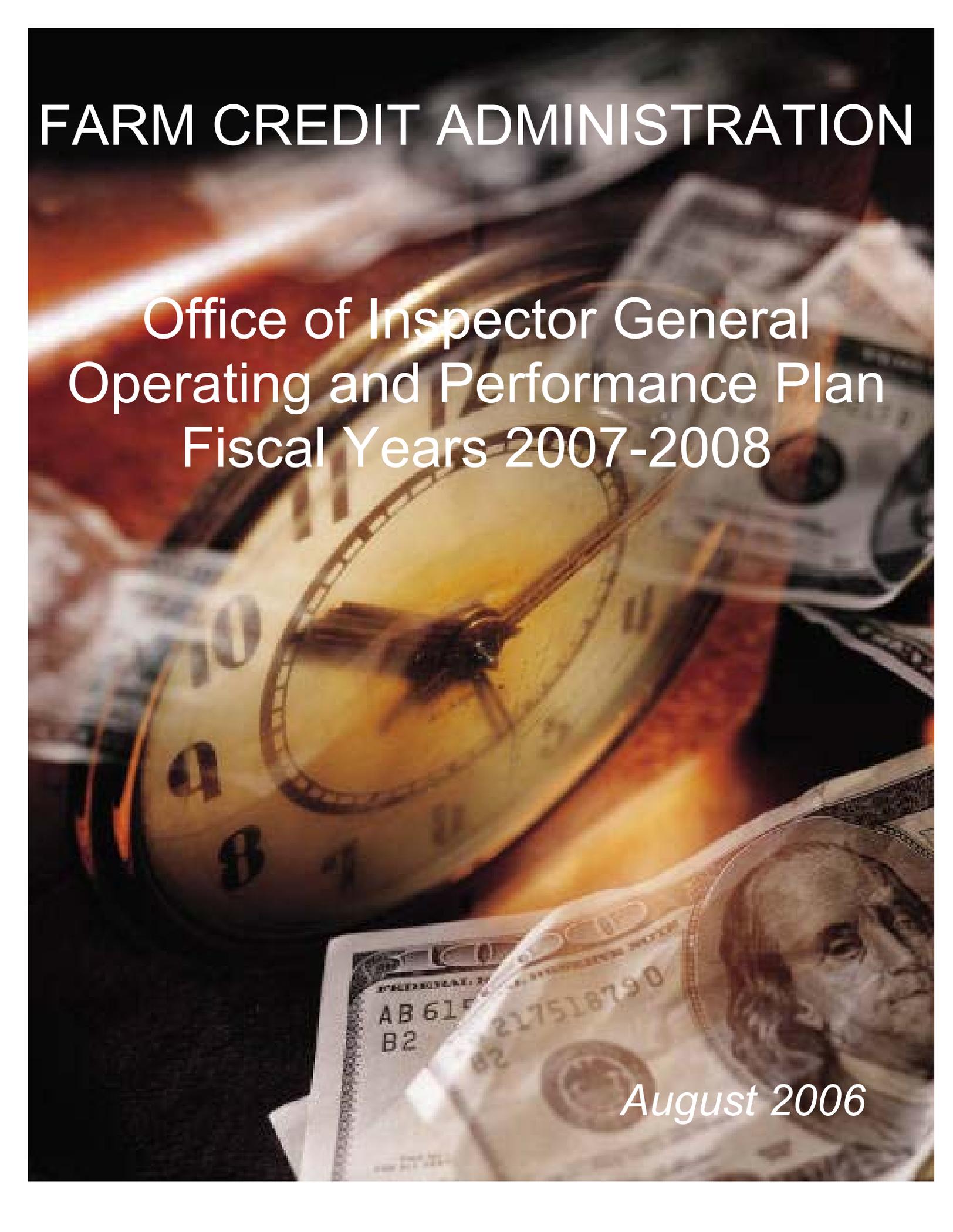


FARM CREDIT ADMINISTRATION



Office of Inspector General
Operating and Performance Plan
Fiscal Years 2007-2008

August 2006

Office of Inspector General

OPERATING AND PERFORMANCE PLAN

FISCAL YEARS 2007 AND 2008



Farm Credit Administration

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



August 16, 2006

The Honorable Nancy C. Pellett
Chairman and Chief Executive Officer
Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102-5090

Dear Chairman Pellett:

The enclosed document is the Office of Inspector General's (OIG) Operating and Performance Plan and Budgets for Fiscal Years 2007 and 2008 (OPP). The OIG's mission objectives and goals remain the same.

Nevertheless, we have updated the OPP and its audit plan to remain current with the challenges facing FCA and the recent changes in FCA's organization and operations. The audit plan is a fluid document that may be amended as the year progresses. It is from the audit plan that the OIG selects most of its assignments.

Please call me if you have any questions or comments.

Sincerely,

Carl A. Clinefelter
Inspector General

Enclosure

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**Farm Credit Administration
Office of Inspector General
Fiscal Year 2007-2008**

TAB 1

**Farm Credit Administration
Office of Inspector General
Fiscal Year 2007-2008**

INTRODUCTION

The Farm Credit Administration (FCA or Agency) Office of Inspector General (OIG) was created in 1989 as a result of 1988 amendments to the Inspector General Act of 1978 (IG Act). The Act established specific responsibilities and authorities for all Federal Inspectors General.

The FCA Inspector General (IG) has a dual reporting responsibility to both the FCA Chairman and the oversight committees of the Congress. The OIG analyzes Agency performance through audits, inspections, and evaluations and provides conclusions and recommendations designed to strengthen Agency effectiveness and efficiency. The OIG reviews existing and proposed legislation and regulations relating to Agency programs and operations to assess the impact on Agency economy and efficiency. The OIG also contracts with an outside accounting firm for the annual audit of FCA's financial statements and for the review of the Agency's compliance with the Federal Information Security Management Act. The OIG also maintains a Hotline for reporting allegations of fraud, waste and abuse and provides independent investigation of allegations.

**Farm Credit Administration
Office of Inspector General
Fiscal Year 2007-2008**

TAB 2

**Farm Credit Administration
Office of Inspector General
Fiscal Year 2007-2008**

MISSION

That the OIG's work products and presence promote economy, efficiency and integrity in Agency operations.

OBJECTIVES AND GOALS

- **Audit and evaluate the Agency's programs and operations to promote economy, efficiency, and effectiveness.**
 1. Deliver quality audit and inspection products and services that are useful to management, the Board, and the Congress.
 2. Provide technical advice and assistance to Agency officials in developing sound management information and financial reporting systems and in streamlining programs and organizations.
 3. Continuously improve OIG staff, products, and internal office administration.
- **Investigate observed, alleged, or suspected wrongdoing to prevent and detect fraud, waste, abuse, and mismanagement in Agency programs and operations.**
 1. Effectively investigate and report administrative and criminal violations relating to FCA programs and personnel.
 2. Educate employees on their responsibility to report wrongdoing to the OIG.
 3. Provide relevant information on results of investigative activities to appropriate parties.
- **Review and make recommendations regarding existing and proposed legislation and regulations relating to Agency programs and operations and the IG community.**
 1. Maintain an effective program for reviewing and commenting on proposed and existing legislation and regulations.
- **Work with our Agency head and the Congress to improve program management; and work with the Inspectors General community and other related organizations to address government-wide issues.**
 1. Building relationships with program managers based on a shared commitment to improving program operations and effectiveness.
 2. Provide leadership to the IG community.
 3. Contribute to special projects to improve the Agency.

**Farm Credit Administration
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Fiscal Year 2007-2008**

ASSUMPTIONS

- **Changing work force.** The change in FCA's work force with fewer and less tenured employees and more contractors will necessitate OIG vigilance over the internal control environment. FCA's compensation and reward practices will need to be flexible to adapt to a changing work force. The Farm Credit System (FCS or System) and the credit needs of rural America will continue to evolve and change. The financial and banking industry will continue to become more complex.
- **Changing work environment.** As FCA and the OIG look to leverage investments in technology, OIG must expand its knowledge of technology to effectively perform reviews. Further, as FCA adapts technology to change its processes, the OIG will have to be positioned to evaluate new risks in internal controls and security measures.
- **Limited budget resources.** Budget pressures on the OIG will be equivalent to those faced by FCA as a whole. The OIG will have to use an efficient mix of its core competencies and external resources to fulfill its mission. Technology will continue to cause change in processes and our approach to work.
- **Farm Credit Act.** Changes in the agricultural and the financial industries will cause the FCS to seek greater flexibility in law and regulations. OIG will continue to ensure that the FCA is ever mindful of its arms length regulatory role and goal to facilitate System service to rural America, and will continue to review and make recommendations regarding laws and regulations.

**Farm Credit Administration
Office of Inspector General
Fiscal Year 2007-2008**

AUDITS AND EVALUATIONS OF AGENCY PROGRAMS AND OPERATIONS

AGENCY GOALS 1, 2 AND 3

OIG GOAL	PERFORMANCE MEASURE	OUTCOME/IMPACT
1. Deliver quality audit, inspection, and review products and services that are useful to the Board, management and/or the Congress.	<p>Audits and inspections are relevant. Audit coverage includes all mandated audits and at least 75% of those suggested by the Board and management.</p> <p>Risk is addressed. 100% of OIG audits are performed in high risk/high dollar programs and activities and/or are tied to the Agency strategic planning goals.</p> <p>Findings made during audit fieldwork are recognized and corrected by management prior to drafting of the audit report.</p> <p>Products are timely, i.e., average time to complete audits and issue draft reports will not exceed 6 months.</p> <p>Audits are constructive. At least 75% of audit products contain recommendations to improve Agency operations. The Agency accepts at least 80% of the OIG audit recommendations.</p> <p>The Agency implements all corrective actions prescribed by management decisions.</p>	<p>FCA programs and operations are more effective.</p> <p>Waste in Agency programs and operations is reduced.</p> <p>Increased Agency compliance with laws, regulations, and internal policies and procedures.</p> <p>The Agency's stature and reputation is elevated in the eyes of the Congress, the Administration, the FCS, FCA employees and the public.</p> <p>FCA is more effective in carrying out its mission.</p> <p>The OIG is more effective in promoting economy, effectiveness and efficiency within the Agency.</p> <p>FCA continues to get an unqualified audit opinion on financial statements.</p>

**Farm Credit Administration
Office of Inspector General
Fiscal Year 2007-2008**

AUDITS AND EVALUATIONS OF AGENCY PROGRAMS AND OPERATIONS

AGENCY GOALS 1, 2 AND 3

OIG GOAL	PERFORMANCE MEASURE	OUTCOME/IMPACT
2. Provide technical advice and assistance to Agency officials in developing sound management information and financial reporting systems and in streamlining programs and organizations.	The IG advises the Chairman concerning policy direction or administrative priorities. OIG performs analysis and provides technical advice to management concerning accounting, management systems and controls, and performance measures.	OIG input and advice contributes to Agency decisions and actions that are more complete and valid in the inception. Increase in management requests for advice, review, and technical assistance. Peer review reports provide an unqualified opinion that OIG audit work meets or exceeds quality audit standards prescribed by the Government Accountability Office (GAO) and the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE).
3. Continuous improvement of OIG staff, products, and internal administration.	Customer survey feedback is used to improve products and services. OIG training ensures the technical proficiency of staff. OIG implements administrative improvements identified through reviews of other Agency programs and through staff involvement with the professional community.	Customer survey feedback evidences increase satisfaction with report practices. The IG's opportunity to facilitate positive change within the Agency is enhanced by the quality and credibility of OIG products and advice.

**Farm Credit Administration
Office of Inspector General
Fiscal Year 2007-2008**

INVESTIGATIONS

AGENCY GOALS 1 AND 2

OIG GOAL	PERFORMANCE MEASURE	OUTCOME/IMPACT
1. Administrative and criminal violations relating to FCA programs and personnel are effectively investigated and reported.	<p>Investigative reports are timely and presented in an objective and factual manner. Memoranda are issued to management describing internal control weaknesses or program deficiencies found during the investigative process with suggestions to prevent and/or detect future wrongdoing.</p> <p>70% of active cases will be less than two years old (from the date the case was opened).</p> <p>100% of employee cases without criminal prosecution potential will be completed within one year from opening the case.</p>	<p>Administrative action, convictions or pleas are obtained for employees and/or contractors found guilty of wrongdoing.</p> <p>Management actions taken against employees serve as a deterrent to future wrongdoing.</p> <p>FCA internal policies, procedures and controls are strengthened to prevent and/or detect future wrongdoing.</p>
2. FCA employees and managers recognize their responsibility to immediately report observed or suspected wrongdoing to the IG.	<p>Allegations of wrongdoing are received in a timely manner and are supported by specific information.</p>	<p>Investigations are more successful because they are initiated in a timelier manner and have better information.</p> <p>FCA employees are more willing to report real or suspected wrongdoing because they trust the competence and fairness of OIG's investigations.</p>
3. Agency officials and the Congress are kept fully and currently informed of problems found in the process of and resulting from investigative activities.	<p>Summaries of investigations and the resulting administrative or judicial actions taken are incorporated into the Semiannual Report to the Congress, along with any disagreements on the actions taken or failure of management to act in a timely and responsible fashion.</p> <p>Findings made during the investigative process concerning the problem at issue or systemic problems are recognized and corrected or mediated by management.</p>	<p>The Chairman and the Congress are better informed about OIG investigations, and administrative and judicial consequences.</p> <p>Public confidence in the integrity of FCA programs and internal operations are heightened.</p>

**Farm Credit Administration
Office of Inspector General
Fiscal Year 2007-2008**

LEGISLATIVE AND REGULATORY REVIEW

AGENCY GOAL 2

OIG GOAL

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

PERFORMANCE MEASURE

Processes are established and documented for identifying and circulating (as appropriate) relevant documents.

Constructive comments on relevant documents are submitted by the deadlines requested by the office, Agency, or staff circulating comments.

Document review activity is summarized for inclusion in the Semiannual Report to the Congress.

OUTCOME/IMPACT

OIG input is part of the decision making process in approving or amending legislation, regulations, circulars and other policy documents.

Constructive criticism and creative alternatives offered in OIG comments improve the quality and usefulness of documents initiated by the Agency.

FCA Board and management are informed about the status of new or pending legislation or regulations initiated externally.

**Farm Credit Administration
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OUTREACH PROGRAM

AGENCY GOALS 1 AND 2

OIG GOAL	PERFORMANCE MEASURE	OUTCOME/IMPACT
1. Agency personnel understand and accept OIG's role within FCA and the community at large.	Develop and maintain educational brochures or pamphlets describing OIG roles and activities. Facilitate feedback from Agency employees and refine products and practices based on the feedback to OIG products and educational materials.	Agency employees' acceptance of and cooperation with OIG activities is improved through better understanding. OIG programs and products are improved through feedback from Agency employees.
2. OIG staff provides leadership to organizations directly contributing to the IG community.	Time and resources are provided to OIG staff members as an incentive to contribute to outside organizations by serving on committees and holding offices.	Projects and activities of adjunct organizations such as the Association of Government Accountants (AGA), Institute of Internal Auditors (IIA), PCIE/ECIE, Council of Counsels to Inspector Generals (CCIG), Federal Law Enforcement Training Center (FLETC), and Inspectors General Auditor Training Institute (IGATI) are improved by OIG staff contributions and participation. The IG community is more credible and effective.
3. OIG staff contributes to special projects for improving the Agency, the OIG community, and the Federal government.	OIG staff will participate in projects that contribute to achieving the vision of a better Agency and government.	Management practices at the Agency are improved by OIG staff participation in FCA special projects. FCA programs and operations are more effective and efficient.

**Farm Credit Administration
Office of Inspector General
Fiscal Year 2007-2008**

**REVISED BUDGET
FISCAL YEAR 2007**

**Farm Credit Administration
Office of Inspector General
Fiscal Year 2007-2008**

TAB 3

**Farm Credit Administration
Office of Inspector General
Fiscal Year 2007-2008**

**FY 2007 REVISED PERFORMANCE BUDGET
by Performance Objectives**

Program Activities	Total Cost	Direct Cost	Indirect Cost	Total FTE
1.0 Policy and Regulation	0	0		0.00
1.1 Regulation and Policy Development	0	0		0.00
1.2 Statutory and Regulatory Approvals	0	0		0.00
2.0 Safety and Soundness	0	0		0.00
2.1 Examination	0	0		0.00
2.2 Economic, Financial and Risk Analysis	0	0		0.00
2.3 FCS Data Management	0	0		0.00
3.0 Implement the President's Management Agenda	0		0	0.00
3.1 Strategically manage human capital	0		0	0.00
3.2 Upgrade the Agency's financial management system	0		0	0.00
3.3 Continue the expansion of e-government	0		0	0.00
3.4 Continue evolution of budget & performance integration	0		0	0.00
3.5 Give due consideration to competitive sourcing	0		0	0.00
4.0 Reimbursable Activities	0			0.00
4.1 SBA	0	0		0.00
4.2 USDA	0	0		0.00
4.3 FCSIC	0	0		0.00
4.4 NCB/NCB Development Corporation	0	0		0.00
5.0 Distributed Costs	1,016,578		1,016,578	4.81
5.1 Budget and Financial Management	0		0	0.00
5.2 Human Resources Management	0		0	0.00
5.3 Information Resources Management	0		0	0.00
5.4 Other Legal Counsel	0		0	0.00
5.5 Communication	0		0	0.00
5.6 Contracting, Procurement, Mail and Supply	0		0	0.00
5.7 Board Activities and Information Services	0		0	0.00
5.8 Congressional and Intergovernmental Affairs	0		0	0.00
5.9 Records Management and Information Services	0		0	0.00

**Farm Credit Administration
Office of Inspector General
Fiscal Year 2007-2008**

**FY 2007 REVISED PERFORMANCE BUDGET
*by Performance Objectives***

Program Activities	Total Cost	Direct Cost	Indirect Cost	Total FTE
5.10 Audit and Investigations	1,016,578		1,016,578	4.81
5.11 Administration	0		0	0.00
5.12 OSMO/Farmer Mac (non-exam activities)	0		0	0.00
Total	\$1,016,578	0	\$1,016,578	4.81

**Farm Credit Administration
Office of Inspector General
Fiscal Year 2007-2008**

**FY 2007 REVISED PRODUCTS AND SERVICES
by Object Classification**

Resources	Total	PS 4.81 Audits and Investigations	PS #	PS #	PS #	PS #
Full-time Equivalents (FTE)	4.81	4.81	0.00	0.00	0.00	0.00
% of costs distributed on the basis of FTE	1.00	1.00	0.00	0.00	0.00	0.00
Total	\$1,016,578	\$1,016,578				
Object Classification						
11.1 Full-time permanent	504,965	504,965	0	0	0	0
11.3 Other than full-time permanent	137,818	137,818	0	0	0	0
11.6 Overtime	0	0	0	0	0	0
11.7 Other personnel compensation	2,500	2,500	0	0	0	0
Subtotal	645,283	645,283	0	0	0	0
12.1 Civilian Personnel benefits	162,795	162,795	0	0	0	0
12.3 Incentives	0	0	0	0	0	0
12.6 Relocation	0	0	0	0	0	0
Subtotal	162,795	162,795	0	0	0	0
13.0 Benefits to former personnel	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0
21.1 Domestic and Local Travel	15,000	15,000	0	0	0	0
21.5 Relocation/Perm. Change of Station	0	0	0	0	0	0
Subtotal	15,000	15,000	0	0	0	0
22.1 Transportation of things	750	750	0	0	0	0
22.5 Relocation/Perm. Change of Station	0	0	0	0	0	0
Subtotal	750	750	0	0	0	0
23.2 Rental payments to others	2,500	2,500	0	0	0	0
23.4 ADP Rental	0	0	0	0	0	0
23.5 Telecommunications	2,900	2,900	0	0	0	0
23.7 Other Rentals	0	0	0	0	0	0
23.8 Postage (Messenger)	200	200				
Subtotal	5,600	5,600	0	0	0	0

**Farm Credit Administration
Office of Inspector General
Fiscal Year 2007-2008**

**FY 2007 REVISED PRODUCTS AND SERVICES
by Object Classification**

Resources	Total	PS 4.81 Audits and Investigations	PS #	PS #	PS #	PS #
24.1 Government Printing	0	0	0	0	0	0
24.3 Commercial Printing	1,500	1,500	0	0	0	0
24.5 Advertising	2,000	2,000	0	0	0	0
Subtotal	3,500	2,500	0	0	0	0
25.1 Consulting Services	160,000	160,000	0	0	0	0
25.2 Other services	8,000	8,000	0	0	0	0
25.3 Other purchases from Govt accounts	10,400	10,400	0	0	0	0
25.4 Operation & Maintenance of Facilities	0	0	0	0	0	0
25.7 Operation & Maintenance of Equipmt.	0	0	0	0	0	0
25.8 Relocation/PCS	0	0	0	0	0	0
Subtotal	178,400	178,400	0	0	0	0
26.1 Supplies and publications	3,150	3,150	0	0	0	0
26.4 Fuel	0	0	0	0	0	0
Subtotal	3,150	3,150	0	0	0	0
31.2 Office Furniture & Equipment	1,000	1,000	0	0	0	0
31.5 ADP Software	500	500	0	0	0	0
31.6 ADP Equipment/Hardware	600	600	0	0	0	0
Subtotal	2,100	2,100	0	0	0	0
42.0 Tort Claims	0	0	0	0	0	0
Total	\$1,016,578	\$1,016,578	0	0	0	0

**Farm Credit Administration
Office of Inspector General
Fiscal Year 2007-2008**

FY 2007 REVISED PRODUCTS AND SERVICES

The accomplishment of the OIG’s products and services correlate to fulfilling our goals and objectives. Management, administrative support and leave are disbursed across the four program areas.

Products/Service	Budget	% Budget	FTE	% FTE
Audits, Inspections, and Review Products	\$762,433	75%	3.56	75%
Investigations	\$50,829	5%	.25	5%
Legislation and Regulations Review	\$101,658	10%	.50	10%
Outreach	\$101,658	10%	.50	10%
Total	\$1,016,578	100%	4.81	100%

Audits, Inspections, and Review Products—The OIG issues approximately 5-10 reports per year (including the annual FCA financial audit). This includes technical advice and assistance to Agency officials in developing management information and financial reporting systems and in streamlining programs and organizations. It also includes survey production. At present, one survey has been produced for over 10 years, the Farm Credit System Survey.

Budget for FY 2007—\$762,433..... 3.56 FTE

Investigative Function—Allegations received by the OIG are reviewed by testing information provided to determine whether an investigation should be opened. Investigations are conducted when appropriate. Maintaining the OIG HOTLINE and directing FCS borrower complaint or inquiry issues to Agency components are additional functions of the investigative service.

Budget for FY 2007—\$50,829..... .25 FTE

Review and Comment on Proposed and Existing Legislation and Regulations—The OIG reviews and comments on proposed and existing legislation and regulations affecting the Agency and the IG community. Additionally, the OIG reviews, comments and responds to Congressional and executive requests and inquiries.

Budget for FY 2007—\$101,658..... 50 FTE

Outreach Program—The OIG educates FCA employees about OIG’s role within the Agency. The OIG lends leadership to organizations directly contributing to the IG community. Through involvement in special projects and workgroups, the OIG makes contributions for improving the Agency, the OIG community and the Federal government. This includes but is not limited to: the Semiannual Report to the Congress, participation in external activities such as membership on the ECIE and the CCIG, and instructing at the IG Academy and various public and Government forums. We also participate in Agency efforts, such as the GPRA initiative, Employee’s Council, Administrative Workgroup, Blacks in Government, and Continuity of Operations Plan.

Budget for FY 2007—\$101,658..... 50 FTE

**Farm Credit Administration
Office of Inspector General
Fiscal Year 2007-2008**

FY 2007 REVISED BUDGET AND JUSTIFICATIONS

TOTAL OFFICE BUDGET.....\$1,016,578

Total approved IRM Plan amount included in Office Budget.....\$44,150

1100 Personnel Compensation.....\$645,283

Amount required to fund salaries of OIG staff (4.81 FTE) charged with conducting audits, inspections, evaluations, and investigations related to Agency programs and operations. We are also responsible for reviewing existing and proposed legislation and regulations to evaluate their impact on the Agency and on the prevention of fraud and abuse. Funds are included to provide for one possible promotion. Funds are also allocated for possible cash awards.

1200 Personnel Benefits\$162,795

Benefits are the direct result of salaries, consistent with employees' retirement systems, health and other related benefits.

1300 Benefits for Former Personnel\$0

N/A

2100 Travel and Transportation of Persons\$15,000

OIG staff will use travel funds for audit and investigative related matters. Funds will also be used for travel related to training courses, professional association meetings, and a teambuilding session for all OIG staff.

2200 Transportation of Things\$750

The amount is necessary for express mail services throughout the year.

2300 Rent, Communications, Utilities, and Miscellaneous\$5,600

2300 Approved IRM Plan\$2,900

These funds will cover anticipated usage of telephone credit cards while on official travel, long distance phone service in McLean, courier delivery services throughout the year to hand-deliver information and reports to the Congress and other groups, and BlackBerry™ service for the IG. Funds will cover a portion of telecommuters access expense and maintenance of an independent internet access for the anonymous HOTLINE account. The independent internet account is used for confidential reporting of fraud, waste, abuse, and mismanagement.

2400 Printing and Reproduction.....\$3,500

Cost of printing brochures, pamphlets, business cards, etc. when FCA cannot produce the items.

**Farm Credit Administration
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FY 2007 REVISED BUDGET AND JUSTIFICATIONS

2500 Other Contractual Services.....\$178,400

2500 Approved IRM Plan\$40,000

Contract services will be needed to assist in staff reviews of programs, including FISMA and FCA financial statements audits. The tuition funds will be used for individual training classes for staff. Individual training classes are a mandatory requirement of the Federal Yellow Book for auditors and of the legal bar association for the Counsel to the IG. Membership fees will cover the dues for professional organizations to which OIG staff belong such as the Institute of Internal Auditors and Association of Government Accountants.

Government contractual funds will be used for miscellaneous training courses being attended by staff at the U.S. Department of Agriculture (USDA), Federal Law Enforcement Training Center (FLETC), and other government agencies. They will also be used for contracts used by other government agencies such as Department of Labor (DOL) and General Services Administration (GSA) for independent reviews of such things as the Agency's financial statements and the OMB required IT security audit. Government Information Security Reform Act (GISRA) requires agencies to perform an audit of IT security on an annual basis.

2600 Supplies and Materials\$3,150

2600 Approved IRM Plan\$150

To purchase miscellaneous text and reference books as well as on-going subscriptions. Office supply funds will be used mainly to purchase supplies for dedicated office equipment. Non-cash awards will be given to staff at the discretion of the IG.

3100 Equipment\$2,100

3100 Approved IRM Plan\$1,100

Purchase equipment and software as necessary to support IG programs.

**Farm Credit Administration
Office of Inspector General
Fiscal Year 2007-2008**

**PROPOSED BUDGET
FISCAL YEAR 2008**

**Farm Credit Administration
Office of Inspector General
Fiscal Year 2007-2008**

**FY 2008 PROPOSED PERFORMANCE BUDGET
by Performance Objectives**

Program Activities	Total Cost	Direct Cost	Indirect Cost	Total FTE
1.0 Policy and Regulation	0	0		0.00
1.1 Regulation and Policy Development	0	0		0.00
1.2 Statutory and Regulatory Approvals	0	0		0.00
2.0 Safety and Soundness	0	0		0.00
2.1 Examination	0	0		0.00
2.2 Economic, Financial and Risk Analysis	0	0		0.00
2.3 FCS Data Management	0	0		0.00
3.0 Implement the President's Management Agenda	0		0	0.00
3.1 Strategically manage human capital	0		0	0.00
3.2 Upgrade the Agency's financial management system	0		0	0.00
3.3 Continue the expansion of e-government	0		0	0.00
3.4 Continue the evolution of budget & performance integration	0		0	0.00
3.5 Give due consideration to competitive sourcing	0		0	0.00
4.0 Reimbursable Activities	0	0		0.00
4.1 SBA	0	0		0.00
4.2 USDA	0	0		0.00
4.3 FCSIC	0	0		0.00
4.4 NCB/NCB Development Corporation	0	0		0.00
5.0 Distributed Costs	1,047,318		1,047,318	4.81
5.1 Budget and Financial Management	0		0	0.00
5.2 Human Resources Management	0		0	0.00
5.3 Information Resources Management	0		0	0.00
5.4 Other Legal Counsel	0		0	0.00
5.5 Communication	0		0	0.00
5.6 Contracting, Procurement, Mail and Supply	0		0	0.00
5.7 Board Activities and Information Services	0		0	0.00
5.8 Congressional and Intergovernmental Affairs	0		0	0.00
5.9 Records Management and Information Services	0		0	0.00

**Farm Credit Administration
Office of Inspector General
Fiscal Year 2007-2008**

**FY 2008 PROPOSED PERFORMANCE BUDGET
*by Performance Objectives***

5.10 Audit and Investigations	1,047,318		1,047,318	0.00
5.11 Administration	0		0	0.00
5.12 OSMO/Farmer Mac (non-exam activities)	0		0	0.00
Total	\$1,047,318	0	\$1,047,318	4.81

**Farm Credit Administration
Office of Inspector General
Fiscal Year 2007-2008**

**FY 2008 PROPOSED PRODUCTS AND SERVICES
by Object Classification**

Resources	Total	PS 4.81 Audits and Investigations	PS #	PS #	PS #	PS #
Full-time Equivalents (FTE)	4.81	4.81	0.00	0.00	0.00	0.00
% of costs distributed on the basis of FTE	1.00	1.00	0.00	0.00	0.00	0.00
Total	\$1,047,318	\$1,047,318	0	0	0	0
Object Classification						
11.1 Full-time Permanent	511,301	511,301	0	0	0	0
11.3 Other than full-time permanent	137,818	137,818	0	0	0	0
11.6 Overtime	0	0	0	0	0	0
11.7 Other personnel compensation	2,500	2,500	0	0	0	0
Subtotal	651,619	651,619	0	0	0	0
12.1 Civilian Personnel Benefits	154,149	154,149	0	0	0	0
12.3 Incentives	0	0	0	0	0	0
12.6 Relocation	0	0	0	0	0	0
Subtotal	154,149	154,149	0	0	0	0
13.0 Benefits to former personnel	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0
21.1 Travel & transportation of person	15,000	15,000	0	0	0	0
21.5 Relocation/Perm. Change of Station	0	0	0	0	0	0
Subtotal	15,000	15,000	0	0	0	0
22.1 Transportation of things	750	750	0	0	0	0
22.5 Relocation/Perm. Change of Station	0	0	0	0	0	0
Subtotal	750	750	0	0	0	0
23.2 Rental payments to others	2,500	2,500	0	0	0	0
23.3 Utilities	0	0	0	0	0	0
23.4 ADP Rental	0	0	0	0	0	0
23.5 Telecommunications	2,900	2,900	0	0	0	0
23.7 Other Rentals	0	0	0	0	0	0
23.8 Postage (Messenger)	200	200	0	0	0	0
Subtotal	5,600	5,600	0	0	0	0

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**FY 2008 PROPOSED PRODUCTS AND SERVICES
by Object Classification**

Resources	Total	PS 4.81 Audits and Investigations	PS #	PS #	PS #	PS #
24.1 Government Printing	0	0	0	0	0	0
24.3 Commercial Printing	1,500	1,500	0	0	0	0
24.5 Advertising	1,000	1,000	0	0	0	0
Subtotal	2,500	2,500	0	0	0	0
25.1 Consulting Services	175,000	175,000	0	0	0	0
25.2 Other Services	8,000	8,000	0	0	0	0
25.3 Other purchases from Govt accounts	10,400	10,400	0	0	0	0
25.4 Operation & Maintenance of Facilities	0	0	0	0	0	0
25.7 Operation & Maintenance of Equipmt.	0	0	0	0	0	0
25.8 Relocation/PCS	0	0	0	0	0	0
Subtotal	193,400	193,400	0	0	0	0
26.1 Office Supplies & Publication	3,000	3,000	0	0	0	0
26.4 Fuel	0	0	0	0	0	0
Subtotal	3,000	3,000	0	0	0	0
31.2 Office Furniture & Equipment	1,000	1,000	0	0	0	0
31.5 ADP Software	1,500	1,500	0	0	0	0
31.6 ADP Equipment/Hardware	18,800	18,800	0	0	0	0
Subtotal	21,300	21,300	0	0	0	0
42.0 Tort Claims	00	0	0	0	0	0
Total	\$1,047,318	\$1,047,318	0	0	0	0

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FY 2008 PRODUCTS AND SERVICES

The accomplishment of the OIG’s products and services correlate to fulfilling our goals and objectives. Management, administrative support and leave are disbursed across the four program areas.

Products/Service	Budget	% Budget	FTE	% FTE
Audits, Inspections, and Review Products	\$785,488	75%	3.56	75%
Investigations	\$52,366	5%	.25	5%
Legislation and Regulations Review	\$104,732	10%	.50	10%
Outreach	\$104,732	10%	.50	10%
Total	\$1,047,318	100%	4.81	100%

Audits, Inspections, and Review Products— The OIG issues approximately 5-10 reports per year (including the annual FCA financial audit). This includes technical advice and assistance to Agency officials in developing management information and financial reporting systems and in streamlining programs and organizations. It also includes survey production. At present, one survey has been produced for over 10 years, Farm Credit System Survey.

Budget for FY 2008—\$785,488..... 3.56 FTE

Investigative Function— Allegations received by the OIG are reviewed by testing information provided to determine whether an investigation should be opened. Investigations are conducted when appropriate. Maintaining the OIG HOTLINE and directing FCS borrower complaint or inquiry issues to Agency components are additional functions of the investigative service.

Budget for FY 2008—\$52,366..... 25 FTE

Review and Comment on Proposed and Existing Legislations and Regulations—The OIG reviews and comments on proposed and existing legislation and regulations affecting the Agency and the IG community. Additionally, the OIG reviews, comments and responds to Congressional and executive requests and inquiries.

Budget for FY 2008—\$104,732..... .50 FTE

Outreach Program—The OIG educates FCA employees about OIG’s role within the Agency. The OIG lends leadership to organizations directly contributing to the IG community. Through involvement in special projects and workgroups, the OIG makes contributions for improving the Agency, the OIG community and the Federal government. This includes but is not limited to: the Semiannual Report to the Congress, participation in external activities such as membership on the ECIE and the CCIG, and instructing at the IG Academy and various public and Government forums. We also participate in Agency efforts, such as the GPRA initiative, Employee’s Council, Administrative Workgroup, Blacks in Government, and Continuity of Operations Plan.

Budget for FY 2008—\$104,732..... 50 FTE

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FY 2008 BUDGET AND JUSTIFICATIONS

TOTAL OFFICE BUDGET.....\$1,047,318

Total approved IRM Plan amount included in Office Budget.....\$ 63,200

1100 Personnel Compensation.....\$651,619

Amount required to fund salaries of OIG staff (4.81 FTE) charged with conducting audits, inspections, evaluations, and investigations related to Agency programs and operations. We are also responsible for reviewing existing and proposed legislation and regulations to evaluate their impact on the Agency and on the prevention of fraud and abuse. Funds are also allocated for possible cash awards.

1200 Personnel Benefits\$154,149

Benefits are the direct result of salaries, consistent with employees' retirement systems, health and other related benefits.

1300 Benefits for Former Personnel\$0

N/A

2100 Travel and Transportation of Persons\$15,000

OIG staff will use travel funds for audit and investigative related matters. Funds will also be used for travel related to training courses, professional association meetings, and a teambuilding session for all OIG staff.

2200 Transportation of Things\$750

The amount is necessary for express mail services throughout the year.

2300 Rent, Communications, Utilities, and Miscellaneous\$5,600

2300 Approved IRM Plan\$2,900

These funds will cover anticipated usage of telephone credit cards while on official travel, long distance phone service in McLean, courier delivery services throughout the year to hand-deliver information and reports to the Congress and other groups, and BlackBerry™ service for the IG. Funds will cover a portion of telecommuters access expense and maintenance of an independent internet access for the anonymous HOTLINE account. The independent internet account is used for confidential reporting of fraud, waste, abuse, and mismanagement.

2400 Printing, Publications and Advertisement.....\$2,500

Cost of printing brochures, pamphlets, business cards, etc. when FCA cannot produce the items.

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FY 2008 BUDGET AND JUSTIFICATIONS

2500 Other Contractual Services	\$193,400
2500 Approved IRM Plan	\$40,000

Contract services will be needed to assist in staff reviews of programs, including FISMA and FCA financial statements audits. The tuition funds will be used for individual training classes for staff. Individual training classes are a mandatory requirement of the Federal Yellow Book for auditors and of the legal bar association for the Counsel to the IG. Membership fees will cover the dues for professional organizations to which OIG staff belong such as the Institute of Internal Auditors and Association of Government Accountants.

Government contractual funds will be used for miscellaneous training courses being attended by staff at USDA, Federal Law Enforcement Training Center (FLETC), and other government agencies. They will also be used for contracts used by other government agencies such as DOL and GSA for independent reviews of such things as the Agency's financial statements and the OMB required IT security audit. GISRA requires agencies to perform an audit of IT security on an annual basis.

2600 Supplies and Materials	\$3,000
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To purchase miscellaneous text and reference books as well as on-going subscriptions. Office supply funds will be used mainly to purchase supplies for dedicated office equipment. Non-cash awards will be given to staff at the discretion of the IG.

3100 Equipment	\$21,300
3100 Approved IRM Plan	\$20,300

Purchase software as necessary to support IG programs.

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TAB 3

**Farm Credit Administration
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OFFICE OPERATING PLAN CONTROL SYSTEM & EVALUATION

STATUTORY ROLE AND RESPONSIBILITIES

The OIG was created within the FCA by the 1988 Amendments to the IG Act as an independent unit to: 1) conduct and supervise audits and investigations; 2) promote economy, efficiency and effectiveness and to prevent fraud and abuse in program administration; and 3) keep the Chairman and the Congress fully informed about problems and deficiencies and the need and progress in correcting them.

The IG Act specifies the IG's duties, responsibilities, and authorities. The IG Act precludes the OIG from performing any Agency program operating function; rather, the OIG advises management and the Congress about ways to improve programs. The IG works with the Chairman to promote positive change in the Agency's programs and operations.

OIG STAFFING NEEDED TO DELIVER PRODUCTS AND SERVICES

This section describes the staffing of the OIG. It also discusses how the OIG is organized to produce the products and services appropriate to fulfill its responsibilities.

The **Inspector General** (IG) provides leadership, policy direction, and general management and supervision of the OIG staff. The IG is also an advisor to the Chairman and the principal spokesperson for OIG, coordinating its activities and issues with other agencies. The IG position is comparable in grade with the other office directors.

The **Counsel to the Inspector General** provides independent legal advice, analysis of proposed legislation and regulations, and reviews OIG products for legal sufficiency. Counsel represents and defends OIG in all legal issues. The Counsel also participates in audits and inspections on an as needed basis. Additionally, the investigative function has come under the direction of the Counsel concurrent with the transfer of the former criminal investigator in October 2005 to another office and the subsequent abolishment of the Criminal Investigator position. The Counsel position is a permanent part-time position as 0.8 FTE.

The **Program Auditor** position is devoted to audits, inspections, and management analyses, focusing on the significant management challenges of the Agency.

A second **Program Auditor** position was created with the discontinuance of the former Criminal Investigator position. This new position will also be devoted to audits, inspections, and management analyses, focusing on the significant management challenges of the Agency. However, this position will function under more supervision, both from the senior Program Auditor and the IG.

The Management Analyst position will be abolished at the beginning of Fiscal Year 2007. The position will be replaced by an **Administrative Assistant** responsible for assisting the IG in budgeting, procurement, training, administrative matters relating to personnel management, and for general administrative support to the rest of the staff. This new position is also responsible for assisting the IG in the completion of the Semiannual Report to the Congress and the FCS Annual Survey report on the Agency's examination function.

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OFFICE OPERATING PLAN CONTROL SYSTEM & EVALUATION

OIG PRODUCTS AND SERVICES

Audits and Inspections are the primary vehicles through which the OIG develops recommendations to promote economy, efficiency, and effectiveness in Agency programs and prevent waste and mismanagement. OIG also provides input to the Chairman or managers through management letters and confidential observations.

The auditors are devoted full time to audits and inspections. The Counsel to the IG may also perform inspections and evaluations under the supervision of the IG, focusing on evaluating administrative and operational issues.

OIG augments its core staff with contracts when high level subject matter expertise is needed to perform a particular task.

Investigations encompass all OIG activities designed to detect or prevent fraud and abuse in administering Agency programs. Investigations are normally distinguished from other evaluations mainly in that they are directed at individuals rather than programs and activities. However, some of OIG's investigative actions are directed at preventing fraud and abuse through improving the effectiveness of management and administrative controls and practices, especially in high-risk areas. OIG also manages a HOTLINE to help FCA employees and the public report wrongdoing.

Legislative and Regulatory Review includes the review and comment on proposed and existing legislation and regulations as they may affect the Agency or the OIG community. This activity review is reported in the Semiannual Report to the Congress.

Outreach directs the OIG to focus attention to improving the Agency, the IG community and the Federal government. This is accomplished by promoting Agency understanding of the OIG's role, providing leadership to organizations contributing to the IG community, and by participating in special projects. The OIG also develops educational information describing the roles and activities of the OIG and provides information to the public through the FCA web site.

Other OIG Functions include internal policy direction and leadership and advice to the Chairman and management about Agency programs and operations. The IG is also responsible for fully informing the Chairman and the Congress about fraud and other serious problems in Agency programs, including management's progress in carrying out corrective actions.

OIG's MISSION, VISION AND IMPLICATIONS FOR STAFFING

It is the OIG's mission that its work products and presence promote economy, efficiency and integrity in Agency operations. OIG will accomplish this by being a leader and catalyst identifying Agency challenges and opportunities. We will strive to:

- deliver products and services that are competent, objective, timely and relevant;
- maintain a customer focus which is responsive to the needs of decision-makers; and
- provide a positive working environment that encourages us to be innovative and reach our potential through teamwork and candid communication.

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OFFICE OPERATING PLAN CONTROL SYSTEM & EVALUATION

If we are to fulfill these statements, each staff member must broaden and refine their skills and abilities, adopt a creative approach to problem solving, and take the initiative to influence management. In that way, management will be receptive to our conclusions and recommendations. Staff must be supported through OIG management's actions, equipment and training, and mutual support from office teammates.

STAFFING ASSESSMENT AND STRATEGIES

OIG's diverse responsibilities prescribed by the IG Act dictate the needed competencies within the OIG staff. The independent nature of the OIG role also has implications for staffing. Even with a very small staff, the OIG can deliver its products and services by maintaining a high level of cross training and a broad base of expertise in audit, investigations, law, management, and administration. The 4.81 FTEs in this plan constitute the critical mass necessary to credibly perform OIG's responsibilities. The OIG established the current staffing pattern after careful analysis of the specialized nature of the OIG's responsibilities and volume of work. Downsizing over the years has reduced the OIG to a level at which any further reduction may adversely affect the OIG's accomplishment of its mission.

OIG staff performs evaluations and investigations under the general supervision of the IG. These assignments are often unlike previous assignments and need creative thinking in planning and developing the project, and mature judgment in developing conclusions and recommendations and defending them before management.

The current OIG staff profile represents a high level of diversity. When filling future OIG vacancies, we will make a concerted effort to attract a diverse pool of qualified candidates. We share the Agency's affirmative employment objectives and believe that a diverse staff is a critical factor in the long-term success of an organization.

STAFFING OBJECTIVES AND STRATEGIES

Objectives

- Retain and refine the skills and competencies represented by the current staff profile.
- Employ the best-qualified applicant while ensuring the broadest possible pool of applicants.
- Cross-train all OIG staff to ensure each staff member can capably perform at least one OIG function as well as their primary staffing role.
- Increase effectiveness of collaboration among OIG staff members.
- Expand OIG staff participation in non-program activities of the Agency.

Strategies

- Staff will identify and participate in training and professional development activities identified in individual development plans to retain and enhance skills.
- Teamwork training will occur regularly to promote collaboration among OIG staff.
- Agency affirmative employment objectives will be considered in filling all OIG vacancies to achieve appropriate diversity.

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TAB 5

**Farm Credit Administration
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APPENDIX A—AUDIT PLAN

BACKGROUND

The Chairman and FCA Board have expressed their ongoing support for independent assessments of significant programs of the Agency. The OIG has identified its focus issues in this Operating and Performance Plan (OPP) and in the Semiannual Report to the Congress in the form of management challenges, as discussed below.

MANAGEMENT CHALLENGES

This part of the OPP highlights major challenges confronting the Agency as it works to fulfill its mission. The OIG is required by Federal law to identify these challenges and present them in the Agency's Performance and Accountability Report. These challenges have remained for several years. Most can be addressed through concerted action by management. Over the past year, the OIG has observed progress by FCA management in addressing the challenges. For example, strategic studies were completed in 2005 that resulted in the initiation of significant organizational change designed to enable the Agency to further address the challenges.

A major change was the transition to a new Chief Examiner. This resulted in a substantive transformation in the Office of Examination's organization and operating methodology. While well underway, these changes will take some time yet to become fully institutionalized and reach full efficiency.

Another substantive change was to reconsolidate into a single office, the Office of Management Services (OMS), the Agency's personnel, financial, and information technology functions under the umbrella of a new manager. This has evidenced proactive results. For example, the Agency's financial services function, including accounting, financial reporting, contracting, and procurement, were outsourced to the Department of the Treasury's Bureau of the Public Debt effective April 1, 2006. The goal of this outsourcing was to achieve cost and performance efficiencies for the Agency. To date there have been transitional hurdles to overcome and the full achievement of the desired efficiencies will take time to be realized.

Additionally, the Agency's Office of Regulatory Policy and, to a lesser extent, the Office of General Counsel, reorganized to promote the utilization of a matrix approach to management.

All these changes in Agency organization are designed to promote improved efficiencies in the utilization of human capital, communication between the FCA Board and staff, and decision-making and oversight of the Agency by the FCA Board.

Human Capital

In March 2001, the OIG recommended FCA develop a human capital plan and FCA management agreed to this recommendation. Under Chairman Pellett's leadership, senior managers have focused on the challenge of marshalling, managing, and maintaining human capital to assure accountability and maximize FCA performance. While FCA still does not have a human capital plan; the Agency has made a significant investment in strategic studies that can serve as the plan's foundation. The objective of

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the strategic studies was to create a picture of the System and the credit needs of rural America in 5 to 7 years and identify organizational and human capital opportunities to help FCA adapt. The approach is a marked contrast to past OIG observations where we noted the problem was the lack of a consistent strategic approach in establishing a human capital plan.

FCA's challenge will be to transform the strategic studies into management actions (organizational changes and process improvements) that achieve better results and clarify accountability. Since early 2005, when the strategic studies were completed, the Agency has made significant progress in achieving this challenge. However, full transformation of the Agency's organization and processes has not yet been achieved. Complete realignment of resources and/or processes should help FCA pursue organizational approaches that recognize the reality of evolving technology, a changing workforce, and other environmental forces. In addition to achieving full transformation of the Agency's organization and processes, how FCA meets its mission will be heavily dependent on quality of its human capital, having the appropriate skill sets, and how it organizes to meet its mission.

The capstone to achieving this challenge should be a long-term human capital plan that incorporates the elements recommended in the OIG's Audit A00-04, Performance Budgeting, issued in March 2001. Additionally, a critical component of managing human capital is providing for management succession. Individuals with the potential to become managers should be identified, provided developmental opportunities, and, when appropriate, promoted to higher positions. This, as part of a human capital plan, should be linked to the Agency's Strategic Plan for long-term achievement of the Agency's mission.

Financial Management

Timely, accurate, and useful financial information is essential for:

- making day-to-day decisions;
- managing the Agency's operations more effectively;
- supporting results-oriented management approaches; and
- ensuring accountability on an ongoing basis.

During FY 2001, FCA successfully implemented a financial management system using the services of the Department of Interior's National Business Center. During September 2003, the Agency decided to reprogram funds and purchase a new financial system. Management originally scheduled implementation of the new system during FY 2004. In September 2004, the OIG issued an inspection report that showed significant improvements were needed in the project management of this new financial management system to successfully complete implementation. In July 2005, the new office director over finance put this project on hold until a reevaluation of this new system

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could be made.

Subsequently, a decision was made, in lieu of trying to bring another financial management system on line, to outsource to the Bureau of the Public Debt the Agency's accounting, financial reporting, contracting and procurement functions. This was initiated April 1, 2006. While the transition is still underway, its ultimate success will need to be measured by whether the Agency and its managers are receiving timely service, useful financial reporting, and improved efficiencies. To measure this, the Agency will need to develop performance measures to assess the achievement of goals related to this outsourcing.

Leveraging Technology

Information technology (IT) is a key element of management reform efforts that can help dramatically reshape government to improve performance and reduce costs. The Agency has recognized that in order to meet the constraints of its budget, it must be able to maximize its return on investment in technology. Internally, there is an opportunity for IT to complement human capital initiatives to reformulate the work processes of FCA. There is also an opportunity to capture knowledge of employees who are approaching retirement. Externally, E-Government offers many opportunities to better serve the public, make FCA more efficient and effective, and reduce costs. FCA has begun to implement some E-Government applications, including the use of the Internet to collect and disseminate information. FCA's ongoing challenge is to establish effective mechanisms to ensure that current and future members of staff have the skills to use technology to operate in an efficient and effective manner.

Agency Governance

The Farm Credit Act provides for a full-time three-member Board. The Board members are appointed by the President and confirmed by the Senate. A small full-time Board presents a challenge in terms of defining the roles and responsibilities of the Board members relative to the governance of the Agency. The Board must be able to engage in professional policy debate and set a sound course for the Agency. The Board's rules of operation are a foundation for trust and shared expectations among Board members. A collegial Board, founded on mutual trust and respect, is essential to FCA's ultimate effectiveness.

The Chairman has taken action to address this challenge by sharing authority and creating an environment at the Board level that promotes a constructive working relationship between the Board members.

Strategic Planning

The FCA Board adopted its 2004-2009 Strategic Plan in December 2003. Since adoption, the Agency has a new Chairman and a new Board member. The changes in top leadership provide an opportunity to revise the plan to ensure the Board's vision is

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accomplished. The challenge is to establish a strategic planning dynamic that is ongoing in nature and in pace with the Agency's environment. In 2005, the Board established a Strategic Planning Committee, one of three committees established to facilitate the Board's oversight responsibilities and communication between the Board and Agency staff. To date, there is little evidence to indicate that this committee has begun to function. Nevertheless, there is the potential for this committee to catalyze the strategic planning function and address this challenge.

The Board refined the performance measures in January 2005. FCA should evaluate its performance measures on an ongoing basis to ensure that they challenge and stretch the organization. Performance measures can be a powerful tool to continue the push into a results-oriented organization. An effective performance management system fosters performance and accountability at the individual, organizational, and ultimately overall Agency levels.

A Changing Environment

The System is a single industry lender and is vulnerable to economic swings. The FCS remains sound in all material respects. Earnings and capital levels have continued to strengthen and asset quality remains high. However, there are many challenges facing agriculture and rural America today that raise the question of whether there should be modifications to the Farm Credit Act in order to enhance agricultural and rural economies of the future. In the early 1990s, the GAO conducted a comprehensive study of the cost and availability of credit in rural America.¹ The GAO concluded that the System did not need new statutory authorities in the near term, but that ongoing structural changes in agriculture and rural America could justify such changes in the longer term. GAO noted that over time, as agriculture and rural America continue to change, the System's charter may need to be updated to ensure that the System is not hampered by outdated legislation.

The FCA must balance the often competing demands of ensuring the FCS fulfills its public policy purpose, proactively examining risk in the regulated institutions both individually and systemically, and controlling the cost of the regulator. FCA's challenge is complex because it has become increasingly difficult to reconcile significant provisions of the Farm Credit Act with the realities of the agricultural industry, the business environment, and financial markets in the 21ST Century.

The Agency can anticipate that the System will press for broader powers through regulatory interpretations of the Farm Credit Act. At the same time, FCA must anticipate that the System's competitors will press for the Agency to be a strict interpreter of the Farm Credit Act. As a financial regulator, FCA must maintain a flexible and responsive, yet independent and objective, regulatory environment.

¹ GAO/GGD-94-39 Farm Credit System Repayment of Federal Assistance and Competitive Position, March 1994.

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APPENDIX A—AUDIT PLAN

AUDITS AND INSPECTIONS —FISCAL YEAR 2007

This audit plan identifies issues received from FCA management and staff as well as other issues identified by OIG staff. OIG audits and inspections provide assurances to the Chairman and FCA Board members that programs are operating effectively and with appropriate controls. This audit plan identifies issues received from the FCA Board and management as well as issues identified by OIG staff. Audit and inspection activities will most likely be selected from the areas listed below. However, actual audits and inspections conducted may vary in order to be responsive to changing needs or circumstances.

Audit of Financial Statements

The OIG contracts with an independent accounting firm to conduct an audit of FCA's financial statements. During FY 2007 and 2008, the OIG will deliver the audit opinion on the financial statements as of September 30, 2006 and 2007, respectively. This year and next, there is an expectation by FCA management and the Office of Management and Budget (OMB) that audit opinions will be issued and the Agency Performance and Accountability Report will be published by November 15, 2006 and 2007, respectively. The OIG has ensured that its independent accounting firm has incorporated in its audit plan a work schedule that will ensure audit delivery expectations are met.

Financial Information Security Management Act of 2002 (FISMA)

The FISMA mandates an annual evaluation by the OIG or an independent external auditor. Field work by our external auditors began in August 2006. The final report is due to OMB on October 6, 2006.

The protection of personally identifiable information is and will continue to remain a significant management challenge. The OIG will continue to work with the Director of OMS and his Chief Information Officer to incorporate issues of concern in OIG audit activities. We anticipate a slightly more complex effort in FY 2007 due to the addition of privacy of information security requirements.

FCA Board Standing Committees

FCA's organizational structure was recently revised. Strategic studies of the Agency preceded the final determinations of organizational change. The intent is to make FCA a more efficient and effective regulator. As part of the reorganization and as stated in revised FCA Board Policy Statement 64, June 2005, the FCA Board established three committees, the Regulation and Policy Development Committee, the Risk Committee, and the Strategic Planning Committee.

Policy Statement 64 indicates these committees are intended by the FCA Board to be important mechanisms in assisting the FCA Board in effectively managing the Agency, in promulgating policy and regulations, and in assessing risk and its implications.

The OIG began an audit of these committees in late fiscal year 2006 to determine if they

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are meeting the FCA Board's plan and expectations.

FCA Organizational Changes

FCA has gone through many organizational changes in past years as a result of leadership transition and efforts to increase Agency efficiency. The OIG will review the Agency's organizational structure and other changes after the most recent strategic studies (by KPMG and Lindholm) to assess the effectiveness of management's actions in response to the studies.

Management of Succession Planning

OIG will assess management succession planning in the Agency to determine its adequacy, linkage to the Strategic Plan's human capital initiatives, and linkage to the Agency's achievement of its mission.

FCA Strategic Plan

We will assess FCA's process for the development of the strategic plan and evaluate compliance with the Government Performance and Results Act (GPRA).

Information Security

The OIG will assess the effectiveness of controls to ensure sensitive information is being safeguarded to eliminate vulnerabilities or unauthorized access and intrusions.

Agency Credit Cards

The OIG will assess the Agency's administration of and control over credit cards used by Agency personnel. This audit will also encompass follow-up on FCA's actions in response to earlier OIG inspections in this area.

SmartPay Program

Economies and quality of service to be realized in the selection of future SmartPay vendors based on a study and comparison of past experience.

Audit Follow-Up

Saving money and improving programs and operations are the main objectives of the audit function. Findings, recommendations, and agreed-upon actions are the vehicles by which these objectives are sought. But it is management's resulting actions that help an organization improve its effectiveness and efficiency. Therefore, we will complete a review that will focus on FCA's actions in response to OIG reports.

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AUDITS AND INSPECTIONS— FISCAL YEAR 2007 AND BEYOND

- FCA Policy and Regulation Development
- Assess Effectiveness of a Selected Regulation(s)
- Financial Information for Management Decisions
- Leveraging Technology in Conducting Examinations
- Appropriateness of the interface of OSMO and FCA as the Regulators of Two Distinct GSEs
- Economies Realized through Outsourcing
- FCA Centralized Services
- The Efficiency and Effectiveness of the OGC Legal Opinion Process
- FCA Examiner Commissioning Program
- Borrower Complaint Handling
- Examination Best Practices
- Evaluation of Physical Security Practices and Emergency Preparedness
- Policy and Procedures Manual Process
- Adherence to the Government in the Sunshine Act
- Agency's Validation of Employees' Credentials used in Gaining Employment
- Agency's Administration of the Correspondence Tracking System
- Sunset Act Compliance Regarding Reports Submitted to Congress

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APPENDIX B—IRM PLAN SUMMARY

IRM Budget Category	Object Code	FY 2007 Costs	FY 2008 Costs	FY 2009 Costs	FY 2010 Costs	FY 2011 Costs	FY 2012 Costs	Total Costs
<i>Telephone & Communications Services</i>	2351	2,900	2,900	2,900	2,900	2,900	2,900	17,400
<i>Consulting Services</i>	2511	40,000	40,000	40,000	45,000	45,000	50,000	260,000
<i>Supplies</i>	2611	150	0	0	0	0	0	150
<i>Software</i>	3152	500	1,500	500	1,500	500	1,500	6,000
<i>IT Equipment</i>	3162	600	18,800	600	400	1,500	17,900	39,800
Total		\$44,150	\$63,200	\$44,000	\$49,800	\$49,900	\$72,300	\$323,350

Performance by Projects, Products/Services and Program Activities
 FY 2004 - 2008
 Office of the Inspector General (700000)

Appendix C

Program Activity Product/Service Project	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual through March 31	FY 2007 Projected	FY 2008 Projected
4 - Distributed					
17 - Information Resource Mgmt					
3232 - Client System Mgmt.	0.00	0.00	905.04		
Information Resource Mgmt Total:	0.00	0.00	905.04	0.00	0.00
Percent of FY Total:	0.0%	0.0%	0.2%	0.0%	0.0%
27 - Audits & Investigations					
1425 - OIG Time	679,048.77	679,253.08	345,611.05		
Audits & Investigations Total:	679,048.77	679,253.08	345,611.05	1,016,578.00	1,029,818.00
Percent of FY Total:	81.6%	82.1%	88.3%	100.0%	100.0%
62 - Communication					
3247 - Internal Communication	0.00	0.00	185.68		
Communication Total:	0.00	0.00	185.68	0.00	0.00
Percent of FY Total:	0.0%	0.0%	0.0%	0.0%	0.0%
67 - Human Resource Management					
3001 - Training Taken	10,681.88	0.00	78.55		
3162 - Compensation & Benefits	0.00	0.00	5,463.00		
3163 - Training Admin & Develop.	83.25	0.00	0.00		
4439 - Life Cycle Program	0.00	0.00	836.40		
Human Resource Management Total:	10,765.13	0.00	6,377.95	0.00	0.00
Percent of FY Total:	1.3%	0.0%	1.6%	0.0%	0.0%
68 - Financial Management					
3236 - Financial Mgmt Systems	0.00	420.52	0.00		
3238 - Accounting Duties	-31.79	0.00	0.00		
Financial Management Total:	-31.79	420.52	0.00	0.00	0.00
Percent of FY Total:	-0.0%	0.1%	0.0%	0.0%	0.0%
69 - Supply Mail Contracts Procure					
3239 - Procurement	0.00	30.00	0.00		
Supply Mail Contracts Procure Total:	0.00	30.00	0.00	0.00	0.00
Percent of FY Total:	0.0%	0.0%	0.0%	0.0%	0.0%
70 - Administration					
3002 - General Administration	314.58	177.64	309.70		
3160 - Management & Supervision	0.00	5,567.98	0.00		
3244 - Leave	142,486.72	142,015.96	37,910.24		
Administration Total:	142,801.30	147,761.58	38,219.94	0.00	0.00
Percent of FY Total:	17.2%	17.9%	9.8%	0.0%	0.0%
Distributed Total:	832,583.41	827,465.18	391,299.66	1,016,578.00	1,029,818.00
Percent of FY Total:	100.0%	100.0%	100.0%	100.0%	100.0%
FY Total:	832,583.41	827,465.18	391,299.66	1,016,578.00	1,029,818.00
Percent of FY Total:	100.0%	100.0%	100.0%	100.0%	100.0%