

OFFICE OF INSPECTOR GENERAL

**Strategic and Operating Performance Plan
and Budgets**

Fiscal Years 2010-2011



Farm Credit Administration

Farm Credit Administration

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



August 19, 2009

The Honorable Leland A. Strom
Chairman
Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102-5090

Dear Chairman Strom:

The enclosed document is the Office of Inspector General's (OIG) Strategic and Operating Performance Plan (SOPP) and Budgets for fiscal years 2010 and 2011.

The SOPP includes the OIG's audit plan, a fluid document that may be amended as the year progresses.

Please call me if you have any questions or comments.

Sincerely,

A handwritten signature in blue ink that reads 'Carl A. Clinefelter'.

Carl A. Clinefelter
Inspector General

Enclosure

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**Farm Credit Administration
Office of Inspector General
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GLOSSARY OF TERMS

Act	Farm Credit Act of 1971, as amended
Agency	Farm Credit Administration
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CCIG	Council of Counsels to Inspectors General
FCA	Farm Credit Administration
FCA Board	Farm Credit Administration Board
FCS	Farm Credit System
FISMA	Federal Information Security Management Act
FLETC	Federal Law Enforcement Training Center
FTE	Full Time Equivalent
IDP	Individual Development Plan
IG	Inspector General (FCA)
IG Act	Inspector General Act of 1978, as amended
IRM	Information Resources Plan
OE	Office of Examination
OIG	Office of Inspector General (FCA)
OMB	Office of Management and Budget
SOPP	Strategic Operating and Performance Plan
SPC	Strategic Planning Committee
System	Farm Credit System

Farm Credit Administration Office of Inspector General Fiscal Years 2010-2011

INTRODUCTION

The Farm Credit Administration (FCA or Agency) Office of Inspector General (OIG) was established on January 29, 1989, as a result of 1988 amendments to the Inspector General Act of 1978 (IG Act). The IG 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 also reviews existing and proposed legislation and regulations relating to Agency programs and operations to assess the impact on Agency economy and efficiency.

The OIG contracts with an outside accounting firm for the annual audit of FCA's financial statements, internal control over financial reporting, and compliance with laws and regulations relating to the determination of financial statement amounts. The accounting firm's opinion letters and accompanying Agency financial statements and notes are included in the Agency's annual Performance and Accountability Report. The OIG conducts the annual evaluation of the Agency's compliance with the Federal Information Security Management Act (FISMA) and issues a report that is submitted to the Agency for further submission to the Office of Management and Budget (OMB).

The OIG also maintains a Hotline for reporting allegations of fraud, waste, abuse, and mismanagement. When there are alleged administrative or criminal violations relating to Agency programs or personnel, the OIG will timely and effectively investigate and report.

Further, the OIG conducts a quarterly confidential survey of Farm Credit System (FCS or System) institutions regarding the effectiveness of the Agency's examination function and the examiners. The OIG issues a quarterly report and annual summary report on survey results to the Chief Examiner and Chairman.

OIG's FY 2010 Budget Request

Section 6(f)(1) of the IG Act requires an Inspector General to highlight certain aspects of the Inspector General's budget request to the head of the department or designated Federal entity to which the Inspector General reports. Section 6(f)(2) requires, in the case of FCA, the Chairman to highlight the same aspects of the Inspector General's budget request when transmitting the Agency's budget to the President.

For the Inspector General's revised FY 2010 budget submission, the OIG's budget information required to be highlighted is as follows:

- The aggregate budget request for the OIG is \$1,057,703.

- The amount needed for OIG training is \$9,000 (tuition).
- The amount needed to support the Council of the Inspectors General on Integrity and Efficiency is \$2,540.

**Farm Credit Administration
Office of Inspector General
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STRATEGIC AND OPERATING PERFORMANCE PLAN

MISSION

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

CORE VALUES

- **Integrity** – Giving straightforward, objective and balanced advice, motivated by a desire to improve conditions and do what is right.
- **Excellence** – Producing high quality work and products that are timely and relevant.
- **Knowledge** – Acquiring and expanding relevant skills and expertise.
- **Responsibility** – Being accountable for our actions, work, and results and holding our customers to the same.

CORE COMPETENCIES

- **Teamwork** – We combine our staff skills and outside expertise to accomplish our mission.
- **Technology** – We enhance the effectiveness of our work with the practical application of technology.
- **Broad Vision** – We use our FCA knowledge to focus efforts on significant issues within the Agency.
- **Customer Centered** – We are independent and believe we are successful when we have helped FCA become more successful.

ASSUMPTIONS

- **Changing work force.** There will continue to be periodic changes in FCA's Board composition and Agency organization, and ongoing changes in FCA staffing, e.g., new hires and retirements. The latter may result in the loss of corporate knowledge, e.g., that gained from the Agency's regulatory experience during the agriculture crisis of the mid 1980s through the early 1990s and from regulatory evolution since that time. The FCS and the credit needs of rural America will continue to evolve and change. The financial and banking industry will become a different provider of financial services coming out of the current financial services industry crisis. As a result, the Agency's methodology in achieving its mission will continually evolve and the OIG will need to remain vigilant over Agency performance and internal controls.
- **Changing work environment.** As FCA leverages technology to improve its processes, the OIG will have to be positioned to evaluate new risks in internal controls and security measures. As a result, the OIG has expanded its expertise in technology to effectively perform the function.

- **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 mission to ensure the System's service to rural America in a safe and sound manner, and will continue to review and may make recommendations regarding laws and regulations.

PRODUCTS AND SERVICES, AND GOALS

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

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AUDITS AND EVALUATIONS OF AGENCY PROGRAMS AND OPERATIONS

AGENCY GOALS 1 AND 2

OIG GOAL	PERFORMANCE MEASURES	OUTCOME/IMPACT
1. Deliver quality audit, inspection, and review products and services that are useful to the Board, management and Congress.	Audits and inspections are relevant. Audit coverage includes all mandated audits and at least 75% of those suggested by the Board and management. Risk is addressed. 100% of OIG audits are performed in substantive Agency programs and activities and/or are tied to the Agency strategic planning goals. Products are timely, i.e., average time to complete audits and issue draft reports will not exceed 6 months. 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.	FCA programs and operations are more effective. FCA continues to receive unqualified financial audits. Waste in Agency programs and operations is reduced. Increased Agency compliance with laws, regulations, and internal policies and procedures. The Agency's stature and reputation is elevated in the eyes of the Congress, the Administration, the FCS, FCA employees and the public. FCA is more effective in carrying out its mission. The OIG is more effective in promoting economy, effectiveness and efficiency within the Agency.

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AUDITS AND EVALUATIONS OF AGENCY PROGRAMS AND OPERATIONS

AGENCY GOALS 1 AND 2

OIG GOAL	PERFORMANCE MEASURES	OUTCOME/IMPACT
<p>2. Provide technical advice and assistance to Agency officials in developing sound management information and financial reporting systems and in streamlining programs and operations.</p>	<p>The IG advises the Chairman concerning policy direction or administrative priorities.</p> <p>OIG performs analysis and provides technical advice to management concerning accounting, management systems and controls, and performance measures.</p>	<p>FCA continues to receive an unqualified financial audit.</p> <p>OIG input and advice contributes to Agency decisions and actions that are more complete and valid in the inception.</p>
<p>3. Continuous improvement in OIG staff, products, and internal office administration.</p>	<p>OIG training ensures the technical proficiency of staff.</p> <p>OIG implements administrative improvements identified through reviews of other Agency programs and through staff involvement with the professional community.</p>	<p>The IG's opportunity to facilitate positive change within the Agency is enhanced by the quality and credibility of OIG products and advice.</p> <p>Peer review reports provide an unmodified opinion that OIG audit work meets or exceeds quality audit standards prescribed by the Government Accountability Office and the Council of the Inspectors General on Integrity and Efficiency (CIGIE).</p>

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INVESTIGATIONS

AGENCY GOALS 1 AND 2

OIG GOAL	PERFORMANCE MEASURE	OUTCOME/IMPACT
1. Alleged 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, fairness and confidentiality 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 is heightened.</p>

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LEGISLATIVE AND REGULATORY REVIEW

AGENCY GOALS 1 AND 2

OIG GOAL	PERFORMANCE MEASURE	OUTCOME/IMPACT
1. Maintain an effective program for reviewing and commenting on proposed and existing legislation and regulations affecting the Agency and the Inspectors General community.	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.	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.

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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 Inspectors General 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 provide leadership to organizations directly contributing to the Inspectors General 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, Institute of Internal Auditors, CIGIE, Council of Counsels to Inspectors General (CCIG), and Federal Law Enforcement Training Center (FLETC) are improved by OIG staff contributions and participation. The Inspectors General community is more credible and effective.
3. OIG staff contribute to special projects for improving the Agency, the Inspectors General 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
 FY 2010/2011 Budget Call
 Unit 700000
 Office of Inspector General
Detailed Budget

FULL-TIME EQUIVALENTS (FTE)		4.61	4.61		
		<u>FY 2010</u>	<u>FY 2011</u>	<u>DIFFERENCE</u>	
		<u>Revised</u>	<u>Proposed</u>	<u>Amount</u>	<u>Percent</u>
1100	Total Personnel Compensation				
11.1	Permanent Full-Time				
1111	Permanent Full-Time	455,848	455,848	0	0.00%
1199	Accrual for Funded Leave	0	0	0	0.00%
	Sub-Total	455,848	455,848	0	0.00%
11.3	Other than Permanent Full-Time				
1139	Other than Permanent Full-Time	297,882	297,882	0	0.00%
	Sub-Total	297,882	297,882	0	0.00%
11.6	Overtime				
1161	Overtime	0	0	0	0.00%
	Sub-Total	0	0	0	0.00%
11.7	Other Personnel Compensation - Awards				
1171	Performance, Incentives and Other Awards	2,800	2,800	0	0.00%
	Sub-Total	2,800	2,800	0	0.00%
TOTAL 1100		756,530	756,530	0	0.00%
1200	Total Personnel Benefits				
12.1	Civilian Personnel Benefits/Retirement				
1213	TSP Match	20,473	20,473	0	0.00%
1217	Disability Insurance Contributions	3,015	3,015	0	0.00%
121B	Wellness, Flex-care/Life Cycle Programs	6,500	6,500	0	0.00%
1299	Benefits Generated from Payroll	157,905	163,637	5,732	3.63%
	Sub-Total	187,893	193,625	5,732	3.05%
12.3	Incentives				
1236	Public Transportation Initiatives	0	0	0	0.00%
1237	Student Loan Repayments	0	0	0	0.00%
	Sub-Total	0	0	0	0.00%
12.6	Relocation/Permanent Change Of Station				
1224	Relocation Payments Under Object Code 1200	0	0	0	0.00%
	Sub-Total	0	0	0	0.00%
TOTAL 1200		187,893	193,625	5,732	3.05%

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1300	Benefits Former Personnel					
13	Benefits for Former Personnel					
1302	Unemployment Compensation	0	0	0	0.00%	
	Sub-Total	0	0	0	0.00%	
TOTAL 1300		0	0	0	0.00%	
2100	Travel and Transportation of Persons					
21.1	Domestic and Local Travel					
2121	Local Travel	6,000	6,000	0	0.00%	
2199	Temporary Duty Travel	9,500	9,000	-500	-5.26%	
	Sub-Total	15,500	15,000	-500	-3.23%	
21.5	Relocation/Permanent Change of Station (PCS)					
2151	Relocation Travel Expenses	0	0	0	0.00%	
2152	Relocation House Hunting	0	0	0	0.00%	
	Sub-Total	0	0	0	0.00%	
TOTAL 2100		15,500	15,000	-500	-3.23%	
2200	Transportation of Things					
22.1	Transportation of Things (Non-Relocation/PCS)					
2211	Freight and Express Mail	200	200	0	0.00%	
2212	Freight and Express Mail - Contract Mail Services	0	0	0	0.00%	
	Sub-Total	200	200	0	0.00%	
22.5	Relocation/Permanent Change of Station (PCS)					
2251	Transportation of Household Goods	0	0	0	0.00%	
	Sub-Total	0	0	0	0.00%	
TOTAL 2200		200	200	0	0.00%	
2300	Rent, Communications, Utilities and Misc. Charges					
23.2	Rental Payments to Others					
2321	Rent/Lease - Space Lodging	1,500	1,500	0	0.00%	
	Sub-Total	1,500	1,500	0	0.00%	
23.3	Utilities					
2331	Utilities - Other than Telephone and Comm. Svcs.	0	0	0	0.00%	
	Sub-Total	0	0	0	0.00%	
23.4	ADP Rental					
2341	ADP Equipment and Software Rental	0	0	0	0.00%	
	Sub-Total	0	0	0	0.00%	

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23.5	Telecommunications					
2351	Telephone and Communication Services	1,760	1,760	0	0.00%	
2354	Wireless Communication Services	720	720	0	0.00%	
	Sub-Total	2,480	2,480	0	0.00%	
23.7	Other Rentals					
2371	Non-ADP Equipment Rental	0	0	0	0.00%	
	Sub-Total	0	0	0	0.00%	
23.8	Postage					
2382	Postage - USPS	0	0	0	0.00%	
2384	Postage Meter Rental	0	0	0	0.00%	
2385	Messenger and Courier Services	100	100	0	0.00%	
	Sub-Total	100	100	0	0.00%	
TOTAL 2300		4,080	4,080	0	0.00%	
2400	Printing and Reproduction					
24.1	Government Printing					
2411	U.S. Government Printing Office (GPO)	0	0	0	0.00%	
	Sub-Total	0	0	0	0.00%	
24.3	Commercial Printing and Duplication					
2431	Commercial Printers/Photographers	750	750	0	0.00%	
	Sub-Total	750	750	0	0.00%	
24.5	Advertising					
2451	Publications of Notices/Classified Advertising	0	0	0	0.00%	
	Sub-Total	0	0	0	0.00%	
TOTAL 2400		750	750	0	0.00%	
2500	Other Contractual Services					
25.1	Consulting Services					
2511	Consulting Services	80,000	80,000	0	0.00%	
	Sub-Total	80,000	80,000	0	0.00%	
25.2	Other Services					
2524	Miscellaneous Services	1,300	1,300	0	0.00%	
2528	Training - Commercial	4,200	6,100	1,900	45.24%	
	Sub-Total	5,500	7,400	1,900	34.55%	

FARM CREDIT ADMINISTRATION
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25.3	Purchase of Goods and Services from Govt. Accts.					
2531	Services of Other Government Agencies	0	0	0	0.00%	
2538	Training - Government	5,600	4,100	-1,500	-26.79%	
	Sub-Total	5,600	4,100	-1,500	-26.79%	
25.4	Operation and Maintenance of Facilities					
2541	Renovating Office Space	0	0	0	0.00%	
	Sub-Total	0	0	0	0.00%	
25.7	Operation and Maintenance of Equipment					
2571	Operation/Maintenance - Non ADP Equipment	0	0	0	0.00%	
2572	Operation/Maintenance - ADP Equipment/Software	0	0	0	0.00%	
	Sub-Total	0	0	0	0.00%	
25.9	Relocation/PCS					
2591	Storage of Household Goods	0	0	0	0.00%	
	Sub-Total	0	0	0	0.00%	
	TOTAL 2500	91,100	91,500	400	0.44%	
2600	Supplies and Materials					
26.1	Office Supplies and Publications					
2611	Supplies	680	500	-180	-26.47%	
2612	Subscriptions, Publications and Training Materials	320	320	0	0.00%	
	Sub-Total	1,000	820	-180	-18.00%	
26.4	Fuel					
2641	Fuel	0	0	0	0.00%	
	Sub-Total	0	0	0	0.00%	
	TOTAL 2600	1,000	820	-180	-18.00%	
3100	Equipment					
31.2	Office Furniture and Equipment					
3122	Non-IT Equipment, Furniture, Fixtures	0	0	0	0.00%	
	Sub-Total	0	0	0	0.00%	
31.5	ADP Software					
3152	Software	500	500	0	0.00%	
	Sub-Total	500	500	0	0.00%	

FARM CREDIT ADMINISTRATION
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31.6	ADP Equipment/Hardware					
3162	IT Equipment	150	180	30	20.00%	
	Sub-Total	150	180	30	20.00%	
TOTAL 3100		650	680	30	4.62%	
4200	Insurance Claims and Indemnities					
42.1	Tort Claims					
4211	Insurance Claims and Indemnities	0	0	0	0.00%	
	Sub-Total	0	0	0	0.00%	
TOTAL 4200		0	0	0	0.00%	
GRAND TOTAL FOR UNIT		\$1,057,703	\$1,063,185	\$5,482	0.52%	

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FY 2010 REVISED BUDGET AND JUSTIFICATIONS

TOTAL OFFICE BUDGET\$1,057,703

Total approved IRM Plan amount included in Office Budget.....\$11,180

1100 Personnel Compensation\$756,530

Amount required to fund salaries (\$753,730) of OIG staff (4.61 FTEs) 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. Funds (\$2,800) are also allocated for possible cash awards.

1200 Personnel Benefits.....\$187,893

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

1300 Benefits for Former Personnel..... \$0

2100 Travel and Transportation of Persons\$15,500

OIG staff will use these funds for travel (\$9,500) related to scheduled IDP training and local travel (\$3,000) to professional association meetings, for example. Travel funds (\$3,000) are also included for local and/or temporary duty travel related to possible investigative matters.

2200 Transportation of Things \$200

The amount is for express mail services throughout the year.

2300 Rent, Communications, Utilities, and Miscellaneous\$4,080

2351 Approved IRM Plan\$1,760

2354 Approved IRM Plan \$720

These funds will cover BlackBerry™ voice, data, and tethering service for the IG (\$720), telecommuters' access expense (\$1,440), and maintenance of an independent internet account for the anonymous HOTLINE account (\$320). The independent internet account is used for confidential reporting of fraud, waste, abuse, and mismanagement. Also, in this object class are funds for offsite meeting expenses (\$1,500) for a possible one-day OIG team building exercise, and \$100 for potential courier delivery services.

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FY 2010 REVISED BUDGET AND JUSTIFICATIONS

2400 Printing and Reproduction \$750

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

2500 Other Contractual Services\$91,100

Tuition funds (\$4,200) from non-government sources are for staff training. Government tuition funds (\$5,600) are for staff training at the U.S. Department of Agriculture, the Federal Law Enforcement Training Center, and other government agencies, for example. Individual training classes are a mandatory requirement of the Government Audit Standards (Yellow Book) for auditors and of the bar association for the Counsel to the IG. Membership fees (\$1,300) will cover the dues for professional organizations to which OIG staff belong.

Consulting services are utilized to assist OIG staff in the review of programs, including the FCA financial statement audit (\$40,000) and possible general contracting needs (\$37,460). Lastly, \$2,540 is budgeted for the support of CIGIE.

2600 Supplies and Materials\$1,000

- 2611 Approved IRM Plan \$180
- 2612 Approved IRM Plan \$220

To purchase miscellaneous reference books (\$100) as well as on-going subscriptions in the IRM Plan (\$220), one BlackBerry™ replacement battery (\$30), and one laptop carrying case (\$150). General office supply funds (\$500) are also included.

3100 Equipment \$650

- 3152 Approved IRM Plan \$500
- 3162 Approved IRM Plan \$150

Purchase desktop printer (\$150) as necessary to support OIG programs and an additional \$500 for software.

4200 Insurance Claims and Indemnities..... \$0

**Farm Credit Administration
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FY 2011 PROPOSED BUDGET AND JUSTIFICATIONS

TOTAL OFFICE BUDGET\$1,063,185

Total approved IRM Plan amount included in Office Budget.....\$11,030

1100 Personnel Compensation\$756,530

Amount required to fund salaries (\$753,730) of OIG staff (4.61 FTEs) 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. Funds (\$2,800) are also allocated for possible cash awards.

1200 Personnel Benefits.....\$193,625

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

1300 Benefits for Former Personnel..... \$0

2100 Travel and Transportation of Persons\$15,000

OIG staff will use these funds for travel (\$9,000) related to scheduled IDP training and local travel (\$3,000) to professional association meetings, for example. Travel funds (\$3,000) are also included for local and/or temporary duty travel related to possible investigative matters.

2200 Transportation of Things..... \$200

The amount is for express mail services throughout the year.

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2354 Approved IRM Plan \$720

These funds will cover BlackBerry™ voice, data, and tethering service for the IG (\$720), telecommuters' access expense (\$1,440), and maintenance of an independent internet account for the anonymous HOTLINE account (\$320). The independent internet account is used for confidential reporting of fraud, waste, abuse, and mismanagement. Also, in this object class are funds for offsite meeting expenses (\$1,500) for a possible one-day OIG team building exercise, and \$100 for potential courier delivery services.

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FY 2011 PROPOSED BUDGET AND JUSTIFICATIONS

2400 Printing, Publications and Advertisement..... \$750

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

2500 Other Contractual Services\$91,500

Tuition funds (\$6,100) from non-government sources are for staff training. Government tuition funds (\$4,100) are for staff training at the U.S. Department of Agriculture, the Federal Law Enforcement Training Center, and other government agencies, for example. Individual training classes are a mandatory requirement of the Yellow Book for auditors and of the bar association for the Counsel to the IG. Membership fees (\$1,300) will cover the dues for professional organizations to which OIG staff belong.

Consulting services are utilized to assist OIG staff in the review of programs, including the FCA financial statement audit (\$40,000) and possible general contracting needs (\$37,450). Lastly, \$2,550 is budgeted for the support of CIGIE.

2600 Supplies and Materials \$820

2612 Approved IRM Plan \$220

To purchase miscellaneous reference books (\$100) as well as on-going subscriptions in the IRM Plan (\$220). General office supply funds (\$500) are also included.

3100 Equipment \$680

3152 Approved IRM Plan \$500

3162 Approved IRM Plan \$180

Purchase software as necessary to support OIG applications (\$500), desktop printer as needed (\$150), and replace BlackBerry™ device (\$30).

4200 Insurance Claims and Indemnities..... \$0

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OIG CONTROL SYSTEM

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 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** 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 to be comparable in grade with the other office directors. This is staffed as a permanent full-time position.

The **Counsel to the Inspector General** provides independent legal advice, analysis of proposed legislation and regulations, and reviews OIG products for legal sufficiency. The Counsel represents and defends OIG in all legal issues. The Counsel also participates in inspections and evaluations as necessary. The Counsel directs the investigative function. The Counsel position is currently staffed as a permanent part-time position at a 0.80 FTE.

The **Senior Auditor** position is devoted primarily to performance audits, inspections, and management analyses, focusing on the significant management challenges of the Agency. Also, this position oversees the contractor performing the annual financial, internal control, and compliance audit of the Agency on behalf of the OIG. This is staffed as a permanent full-time position.

A **Senior Information Technology Auditor** position was created with the discontinuance of the Criminal Investigator position. This position focuses on audits and inspections related to the broad range of the Agency's information technology policies, processes, and security, and also performs the annual FISMA review. This position is currently staffed as a permanent part-time position at 0.80 FTE.

The **Administrative Assistant** is responsible for assisting the IG in budgeting, information resources planning, procurement, training, administrative matters relating to personnel management, and for general administrative support to the rest of the staff. The position is also responsible for assisting the IG in the completion of the Semiannual Report to the Congress and the quarterly and annual reports on the OIG Survey of FCS institutions regarding the Agency's examination function. This is staffed as a permanent full-time position.

All positions in the OIG are staffed with well qualified personnel.

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 focusing on evaluating administrative and operational issues.

OIG augments its core staff with contracts when 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 in that they are normally 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 enable FCA employees and the public to more easily 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 review activity is reported in the Semiannual Report to the Congress.

Outreach directs the OIG to focus attention to improving the Agency, the Inspectors General community, and the public's awareness of the FCA OIG's role. 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 OIG 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 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.

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 4.60 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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AUDIT PLAN

AUDITS, INSPECTIONS, AND EVALUATIONS – FISCAL YEAR 2010 AND 2011

This audit plan identifies potential audit, inspection, and evaluation areas. This plan was discussed with the Chairman to afford the Chairman the opportunity to comment and offer suggestions for additional audit, inspection, and evaluation areas.

OIG audits, inspections, and evaluations provide assurance to the Chairman and FCA Board members that programs are operating effectively with appropriate controls. Audit, inspection, and evaluation activities will most likely be selected from the areas listed below. However, actual audits, inspections, and evaluations conducted may vary in order to be responsive to changing needs or circumstances.

Annual Audits and Evaluations

Audit of FCA's Financial Statements

The OIG contracts with an independent accounting firm to conduct an audit of FCA's financial statement, internal control over financial reporting, and compliance with laws and regulations relating to the determination of financial statement amounts. The OIG will deliver an audit opinion as September 30, 2010 and 2011, respectively. The OIG has ensured that its independent accounting firm has incorporated in its audit plan a work schedule that will provide an appropriate audit scope and deliverables within appropriate time frames.

FISMA Evaluations

The FISMA requires agency program officials, Chief Information Officers and Inspectors General to conduct annual reviews of the agencies' information security program and report the results to OMB. For 2010 and 2011, the OIG Senior IT Auditor will conduct the evaluations at FCA.

FY 2010

Adherence to the Government in the Sunshine Act (Inspection)

The Government in the Sunshine Act is based on the policy that the public is entitled to the fullest practicable information regarding decision making processes in the Federal Government. The Act prescribes specific procedures agencies must follow when Board members meet. We will assess whether the Act is being appropriately followed.

Regulation Development Process (Audit)

The Agency's mission includes developing policy and regulations that guide FCS in advancing its mission to serve the financial needs of agriculture and rural America in a safe and sound manner. We will assess whether the policy and regulation development process complies with all applicable Federal requirements and is efficient.

Evaluation of OE Training & Commissioning Program (Audit)

The knowledge and skill level required to conduct sound examination and effective supervision of System institutions needs to continually develop to keep pace with the changing financial marketplace. We will review the adequacy of OE's training and commissioning program in equipping OE's staff with the knowledge and skills needed to examine and supervise the myriad of business practices and conditions found in System institutions.

FY 2011

Borrower Complaint Process (Audit)

The Office of Congressional and Public Affairs receives borrower complaints against FCS institutions and is responsible for responding to the complaints. The OE and the Office of the General Counsel most often are responsible for reviewing, analyzing, and recommending an Agency response to such complaints. We will review the Agency's process for tracking and reviewing borrowers' complaints and identify whether improvements are needed.

Contractual Services (Audit)

Contractual services are the Agency's second largest expense after salaries and benefits and significantly increased from FY 2007 (\$2,590,914 or 6.2 percent of budget) to FY 2008 (\$3,619,925 or 8.2 percent of budget). We will evaluate the reasons for this increased reliance on contractors and oversight of contracted activities.

Human Capital (Audit)

An effective human capital program is essential to ensure the Agency has the right people with the right skills to accomplish its mission. The objective of this audit will be to assess the adequacy of the Agency's human capital plan and the effectiveness of its implementation. This includes an evaluation of Agency effectiveness in hiring and developing staff and of the continuity of leadership within the Agency.

IT Investments Performance Measures (Inspection)

The Agency has made significant IT investments such as Live Meeting, Microsoft Communicator and High Definition videoconferencing. As the Agency continues to invest in technology to improve operations, measures need to be in place to ensure these investments are being fully utilized and projected benefits realized. We will determine whether the Agency has developed effective performance measures to capture the benefit of IT investments.

Beyond FY 2011

- FCA Strategic Plan
- Review of OE Organizational Structure and Work Processes
- Controls for Safeguarding Personally Identifiable Information, including Social Security Numbers
- Review of the Consolidated Reporting System
- General Control Review: Access Controls
- General Control Reviews: Software Development and Change Control

- General Control Reviews: System Software
- General Control Reviews: Segregation of Duties
- Efficiency of the OGC Legal Opinion Process
- Telecommunication Cost and Services
- Specialization and Certification
- Property Plant and Equipment Review
- Delegations

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MANAGEMENT CHALLENGES

BACKGROUND

The Chairman understands the necessity for independent assessments by the OIG of significant programs of the Agency. In this regard, the OIG has identified its audit/inspection focus areas, or audit plan, in this SOPP.

MANAGEMENT CHALLENGES

This part of the SOPP highlights major challenges confronting the Agency as it works to fulfill its mission. The OIG is required by statute to identify these challenges and present them in the Agency's Performance and Accountability Report. The OIG also presents them in Semiannual Reports to the Congress, the most recent being as of March 31, 2009. Except for external environmental challenges, they can be effectively addressed through concerted action by Agency management.

Farm Credit System

The System is a lender to a single industry, agriculture, and is therefore vulnerable to economic swings in that industry. Nevertheless, the FCS remains sound in all material respects. Earnings and capital levels have continued to strengthen, and asset quality remains high. The Agency's **challenge** is to continue to ensure the System's ability to withstand this vulnerability through effective examination and regulatory activities. The Agency's regulatory attention must also address other vulnerabilities in the System. Among these are scope-of-lending excesses and risks associated with exposure to new enterprises, such as alternative fuel production and System institutions' "investments in rural America."

Farm Credit Administration

There continue to be many issues facing agriculture and rural America today that raise the question of whether there should be modifications to the Farm Credit Act to enable the System to better serve agricultural and rural economies of the future. Despite whether the Act is modified, the Agency should anticipate that the System will continue to seek broad regulatory interpretations. However, as a financial regulator, FCA's **challenge** is to continue to maintain an independent and objective, yet flexible and responsive, regulatory environment for the System, geared to continually ensuring that the FCS fulfills its public policy purpose. Key to this for FCA is effective examination and regulation of System institutions by maintaining a properly staffed and resourced Agency.

The Next Possible Agricultural Economic Downturn

There are many factors in agriculture today that may indicate future serious difficulties for agriculture and the FCS. Following are some example:

- The System's rapid growth over the past several years has eroded its capital-to-assets ratio.
- The current high agricultural land values may not be sustainable.
- The livestock sector is experiencing stress.
- There is volatility in commodity prices.
- Input costs, including fuel, are high.

While some sectors of agriculture are prospering and the Agency's Office of Examination (OE) reports that System institutions remain safe and sound, these factors have also led the OE to state that credit deterioration is likely and risks are rising.

Thus, a major **challenge** for the Agency is to ensure its ongoing ability to timely assess economic and operational conditions affecting the welfare of the System's borrowers and thus System institutions, and to take preemptive or remedial actions to ensure the ongoing safety and soundness of the System. The first line of preparedness for the Agency in accomplishing this is an effective risk assessment and examination program, including the continual assessment of the reliability of risk evaluation and examination findings, and the sufficiency of the Agency's supervision and enforcement processes.

Human Capital

In 2006, a five-year strategic human capital plan was completed. FCA's **challenge** is to continue to implement the human capital plan to ensure that FCA has the staff it needs to effectively regulate a constantly evolving FCS. In meeting this challenge, the Agency should continue to address the attrition of seasoned staff and ensure the viability of the examination staff, a critical component of the Agency's regulatory capability.

As the Agency moves further into the human capital plan's five-year cycle, the Agency must critically assess the implementation of the current plan and, as the current plan nears completion, establish a new five-year human capital plan based on current human capital experience and perceived future human resource needs.

Strategic Planning

In December 2003, the FCA Board adopted the Strategic Plan for Fiscal Years 2004–2009. The next Agency strategic plan was not adopted by the FCA Board until May 2008. In accordance with the Government Performance and Results Act of 1993 and OMB Circular A-11, an updated and revised strategic plan is required within three years of submitting a prior strategic plan.

Since adoption of the 2008-2013 strategic plan, the FCA Board has a new Chairman, and FCA is likely to acquire two new Board members before it updates the strategic plan again. The Agency has both the opportunity and the **challenge** to ensure that it updates the next strategic plan in a timely manner so that the plan will reflect the vision of the new Board.

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

Leveraging Technology

Information technology (IT) is a key element in management's efforts to continually improve Agency performance. The Agency is in the process of a major infrastructure transition designed to promote efficient work processes and to provide staff with enhanced communication and collaboration tools. The **challenge** is to stay abreast of emerging technologies and to establish an IT infrastructure that provides FCA staff with IT tools and skills to operate in an efficient, effective, and secure manner. In addition, the Agency must ensure that its technical staff has the skills and knowledge to implement and maintain its infrastructure, and initiatives in this regard are underway.

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IRM PLAN SUMMARY								
IRM Budget Category	Object Code	FY 2010 Costs	FY 2011 Costs	FY 2012 Costs	FY 2013 Costs	FY 2014 Costs	FY 2015 Costs	Total Costs
<i>Telecommunications Rentals</i>	2351	1,760	1,760	1,760	1,760	1,760	1,760	10,560
<i>Wireless Communications</i>	2354	720	720	720	720	720	720	4,320
<i>Supplies</i>	2611	180	0	180	0	180	0	540
<i>Subscriptions and Publications</i>	2612	220	220	220	220	220	220	1,320
<i>Software</i>	3152	500	500	500	500	500	500	3,000
<i>IT Equipment</i>	3162	150	180	150	180	150	180	990
Sub Total		\$3,530	\$3,380	\$3,530	\$3,380	\$3,530	\$3,380	\$20,730
<i>Manpower Costs for three IRM Projects</i>	NA	7,650	7,650	5,100	4,950	4,950	4,950	35,100
Total		\$11,180	\$11,030	\$8,480	\$8,330	\$8,480	\$8,330	\$55,830

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FY 2010 REVISED PRODUCTS AND SERVICES BUDGET

This represents the allocation of budget dollars and FTEs to OIG's products and services. Management, administrative support and leave are disbursed across the four products and services.

Products/Services	Budget	% Budget	FTE	% FTE
Audits, Inspections, and Review Products	\$825,008	78%	3.59	78%
Investigations	\$63,462	6%	.28	6%
Legislation and Regulations Review	\$21,154	2%	.09	2%
Outreach	\$148,079	14%	.64	14%
Total	\$1,057,703	100%	4.60	100%

Audits, Inspections, and Review Products—The OIG issues approximately 5-10 reports per year (including the annual FCA financial audit and FISMA review). This includes recommendations to Agency officials regarding improving the efficiency of Agency programs and mission achievement. It also includes four survey reports regarding System institutions' ratings and comments about the Agency's examination function.

Budget for FY 2010—\$825,008.....3.59 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 2010—\$63,462..... 0.28 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 2010—\$21,154..... 0.09 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 and the OIG community. This includes but is not limited to: the Semiannual Report to the Congress, participation in external activities such as membership on CIGIE and the CCIG, and instructing at FLETC and various public and Government forums. We also participate in Agency efforts, such as the Employee's Council, Administrative Workgroup, and Continuity of Operations Plan.

Budget for FY 2010—\$148,079.....0.64 FTE

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FY 2011 PROPOSED PRODUCTS AND SERVICES BUDGET

This represents the allocation of budget dollars and FTEs to OIG's products and services. Management, administrative support and leave are disbursed across the four products and services areas.

Products/Services	Budget	% Budget	FTE	% FTE
Audits, Inspections, and Review Products	\$829,284	78%	3.59	78%
Investigations	\$63,791	6%	.28	6%
Legislation and Regulations Review	\$21,264	2%	.09	2%
Outreach	\$148,846	14%	.64	14%
Total	\$1,063,185	100%	4.60	100%

Audits, Inspections, and Review Products—The OIG issues approximately 5-10 reports per year (including the annual FCA financial audit and FISMA review). This includes recommendations to Agency officials regarding improving the efficiency of Agency programs and mission achievement. It also includes four survey reports regarding System institutions' ratings and comments about the Agency's examination function.

Budget for FY 2011—\$829,284 3.59 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 2011—\$63,791 0.28 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 2011—\$21,264 0.09 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 and the OIG community. This includes but is not limited to: the Semiannual Report to the Congress, participation in external activities such as membership on CIGIE and the CCIG, and instructing at FLETC and various public and Government forums. We also participate in Agency efforts, such as the Employee's Council, Administrative Workgroup, and Continuity of Operations Plan.

Budget for FY 2011—\$148,846 0.64 FTE