

OFFICE OF INSPECTOR GENERAL

**Strategic and Operating Performance Plan
Fiscal Years 2011-2012**



Farm Credit Administration

Farm Credit Administration

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



August 23, 2010

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 2011 and 2012.

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 black ink that reads 'Carl A. Clinefelter'. The signature is written in a cursive, flowing style.

Carl A. Clinefelter
Inspector General

Enclosure

TABLE OF CONTENTS

Glossary of Terms.....	Tab 1
Introduction	Tab 2
Strategic and Operating Performance Plan	Tab 3
Object Class Detailed Budget Overview.....	Tab 4
FY 2011 – Revised Budget and Justifications	
FY 2012 – Proposed Budget and Justifications	
OIG Control System.....	Tab 5
Audit Plan	Tab 6
Appendices	Tab 7
Appendix A—Management Challenges	
Appendix B—IRM Plan Summary Report	
Appendix C—FY 2011-2012 Products and Services Budget	

**Farm Credit Administration
Office of Inspector General
Fiscal Years 2011-2012**

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
FY	Fiscal Year
IDP	Individual Development Plan
IG	Inspector General (FCA)
IG Act	Inspector General Act of 1978, as amended
IRM	Information Resources Plan
IT	Information Technology
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 2011-2012

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 2011 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 2011 budget submission, the OIG's budget information required to be highlighted is as follows:

- The aggregate budget request for the OIG is \$1,096,891.

- The amount needed for OIG training is \$11,220 (tuition).
- The amount needed to support the Council of the Inspectors General on Integrity and Efficiency is \$2,840.

**Farm Credit Administration
Office of Inspector General
Fiscal Years 2011-2012**

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 affecting the Agency.

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.

- Agency personnel understand and accept OIG's role within FCA and the Inspectors General community.
- OIG staff provide leadership to organizations directly contributing to the Inspectors General community.
- OIG staff contribute to special projects for improving the Agency, the Inspectors General community, and the Federal government.

**Farm Credit Administration
Office of Inspector General
Fiscal Years 2011-2012**

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. Where 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. Agency compliance with laws, regulations, and internal policies and procedures. The Agency's stature and reputation are maintained at a high level 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.

**Farm Credit Administration
Office of Inspector General
Fiscal Years 2011-2012**

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.</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 OIG'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>

**Farm Credit Administration
Office of Inspector General
Fiscal Years 2011-2012**

INVESTIGATIONS

AGENCY GOALS 1 AND 2

OIG GOAL	PERFORMANCE MEASURE	OUTCOME/IMPACT
1. Effectively investigate alleged administrative and criminal violations relating to FCA programs and personnel.	<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. Educate employees on their responsibility to report wrongdoing to the OIG.	<p>Allegations of wrongdoing are supported by specific information as required by the OIG.</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. Provide relevant information on results of investigative activities to appropriate parties.	<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>

**Farm Credit Administration
Office of Inspector General
Fiscal Years 2011-2012**

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.	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.

**Farm Credit Administration
Office of Inspector General
Fiscal Years 2011-2012**

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 the 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.

Office of Inspector General - Unit 700000
Detailed Budget
Fiscal Years 2011 and 2012

OBJECT CLASS	SUB CLASS	OBJECT DESCRIPTION	FTE 4.59 FY 2011	FTE 4.60 FY 2012	
1100	Total Personnel Compensation	1111	Permanent Full-Time	\$477,687	\$475,857
		1139	Other than Permanent Full-Time	\$308,543	\$308,543
		1161	Overtime	\$0	\$0
		1171	Performance, Incentives and Other Awards	\$5,000	\$5,000
		Subtotal		\$791,230	\$789,400
1200	Total Personnel Benefits	1213	TSP Match	\$21,319	\$21,284
		1217	Disability Insurance Contributions	\$3,145	\$3,138
		121B	Wellness, Flex-care/Life Cycle Programs	\$6,500	\$6,500
		1299	Benefits Generated from Payroll	\$165,818	\$171,359
		1236	Public Transportation Initiatives	\$0	\$0
		1237	Student Loan Repayments	\$0	\$0
		1224	Relocation Payments Under Object Code 1200	\$0	\$0
Subtotal		\$196,782	\$202,281		
1300	Benefits Former Personnel	1302	Unemployment Compensation	\$0	\$0
		Subtotal		\$0	\$0
2100	Travel and Transportation of Persons	2121	Local Travel	\$6,000	\$6,000
		2199	Temporary Duty Travel	\$11,130	\$7,705
		2151	Relocation Travel Expenses	\$0	\$0
		2152	Relocation House Hunting	\$0	\$0
		Subtotal		\$17,130	\$13,705
2200	Transportation of Things	2211	Freight and Express Mail	\$0	\$0
		2212	Freight and Express Mail - Contract Mail Services	\$200	\$200
		2251	Transportation of Household Goods	\$0	\$0
		Subtotal		\$200	\$200
2300	Rent, Communications, Utilities and Misc. Charges	2321	Rent/Lease - Space Lodging	\$1,500	\$1,500
		2331	Utilities - Other than Telephone and Comm. Svcs.	\$0	\$0
		2341	ADP Equipment and Software Rental	\$0	\$0
		2351	Telephone and Communication Services	\$680	\$680
		2354	Wireless Communication Services	\$840	\$840
		2371	Non-ADP Equipment Rental	\$0	\$0

Office of Inspector General - Unit 700000
Detailed Budget
Fiscal Years 2011 and 2012

OBJECT CLASS	SUB CLASS	OBJECT DESCRIPTION	FTE 4.59 FY 2011	FTE 4.60 FY 2012
	Rent, Communications, Utilities and Misc. Charges continued	2382 Postage - USPS	\$0	\$0
		2384 Postage Meter Rental	\$0	\$0
		2385 Messenger and Courier Services	\$100	\$100
		Subtotal	\$3,120	\$3,120
2400	Printing and Reproduction	2411 U.S. Government Printing Office (GPO)	\$0	\$0
		2431 Commercial Printers/Photographers	\$500	\$500
		2451 Publications of Notices/Classified Advertising	\$0	\$0
		Subtotal	\$500	\$500
2500	Other Contractual Services	2511 Consulting Services	\$72,840	\$72,840
		2524 Miscellaneous Services	\$2,239	\$2,239
		2528 Training - Commercial	\$6,055	\$9,765
		2531 Services of Other Government Agencies	\$0	\$0
		2538 Training - Government	\$5,165	\$6,825
		2541 Renovating Office Space	\$0	\$0
		2571 Operation/Maintenance - Non ADP Equipment	\$0	\$0
		2572 Operation/Maintenance - ADP Equipment/Software	\$0	\$0
		2591 Storage of Household Goods	\$0	\$0
		Subtotal	\$86,299	\$91,669
2600	Supplies and Materials	2611 Supplies	\$720	\$840
		2612 Subscriptions, Publications and Training Materials	\$220	\$220
		2641 Fuel	\$0	\$0
		Subtotal	\$940	\$1,060
3100	Equipment	3122 Non-IT Equipment, Furniture, Fixtures	\$0	\$0
		3152 Software	\$500	\$500
		3162 IT Equipment	\$190	\$150
		Subtotal	\$690	\$650
4200	Insurance Claims and Indemnities	4211 Insurance Claims and Indemnities	\$0	\$0
		Subtotal	\$0	\$0
TOTAL			\$1,096,891	\$1,102,585

**Farm Credit Administration
Office of Inspector General
Fiscal Years 2011-2012**

FY 2011 REVISED BUDGET AND JUSTIFICATIONS

TOTAL OFFICE BUDGET\$1,096,891

Total approved IRM Plan amount included in Office Budget\$10,200

1100 Personnel Compensation\$791,230

Amount required to fund salaries (\$786,230) of OIG staff (4.60 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 (\$5,000) are also allocated for possible cash awards.

1200 Personnel Benefits.....\$196,782

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\$17,130

OIG staff will use these funds for travel (\$11,130) 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\$3,120

2351 Approved IRM Plan \$680

2354 Approved IRM Plan \$840

These funds will cover BlackBerry™ voice, data, and tethering service for the IG (\$840), telecommuters' access expense (\$360), 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.

**Farm Credit Administration
Office of Inspector General
Fiscal Years 2011-2012**

FY 2011 REVISED BUDGET AND JUSTIFICATIONS

2400 Printing and Reproduction \$500

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

2500 Other Contractual Services\$86,299

Tuition funds (\$6,055) from non-government sources are for staff training. Government tuition funds (\$5,165) 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 (\$2,239) 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 (\$45,000) and possible general contracting needs (\$25,000). Lastly, \$2,840 is budgeted for the support of CIGIE.

2600 Supplies and Materials \$940

2611 Approved IRM Plan \$120

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 battery (\$90). General office supply funds (\$500) are also included.

3100 Equipment \$690

3152 Approved IRM Plan \$500

3162 Approved IRM Plan \$190

Purchase desktop printer (\$150) as necessary to support OIG programs, one BlackBerry™ replacement device (\$40), and an additional \$500 for software.

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

**Farm Credit Administration
Office of Inspector General
Fiscal Years 2011-2012**

FY 2012 PROPOSED BUDGET AND JUSTIFICATIONS

TOTAL OFFICE BUDGET\$1,102,585

Total approved IRM Plan amount included in Office Budget.....\$10,280

1100 Personnel Compensation\$789,400

Amount required to fund salaries (\$784,400) of OIG staff (4.60 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 (\$5,000) are also allocated for possible cash awards.

1200 Personnel Benefits.....\$202,281

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\$13,705

OIG staff will use these funds for travel (\$7,705) 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\$3,120

2351 Approved IRM Plan \$680

2354 Approved IRM Plan \$840

These funds will cover BlackBerry™ voice, data, and tethering service for the IG (\$840), telecommuters' access expense (\$360), 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.

**Farm Credit Administration
Office of Inspector General
Fiscal Years 2011-2012**

FY 2012 PROPOSED BUDGET AND JUSTIFICATIONS

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

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

2500 Other Contractual Services\$91,669

Tuition funds (\$9,765) from non-government sources are for staff training. Government tuition funds (\$6,825) 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 (\$2,239) 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 (\$45,000) and possible general contracting needs (\$25,000). Lastly, \$2,840 is budgeted for the support of CIGIE.

2600 Supplies and Materials\$1,060

2611 Approved IRM Plan..... \$240

2612 Approved IRM Plan \$220

To purchase miscellaneous reference books (\$100), on-going subscriptions in the IRM Plan (\$220), one laptop battery (\$90), 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 software as necessary to support OIG applications (\$500) and replace desktop printer as needed (\$150).

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

**Farm Credit Administration
Office of Inspector General
Fiscal Years 2011-2012**

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 contractors 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. 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.

**Farm Credit Administration
Office of Inspector General
Fiscal Years 2011-2012**

AUDIT PLAN

AUDITS, INSPECTIONS, AND EVALUATIONS – FISCAL YEAR 2011 AND 2012

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 Statement

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 of September 30, 2011 and 2012 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.

Federal Information Security Management Act (FISMA) Evaluations

FISMA requires the agency program officials, Chief Information Officers and Inspectors General to conduct annual evaluations of their respective department's or agency's information security program and report the results to OMB. For FYs 2011 and 2012, the OIG Senior Information Technology Auditor will conduct the FISMA evaluation at FCA.

FY 2011

FCA Approval Process of Funding Corporation Debt Issuances (Inspection)

The Farm Credit System Banks utilize the Federal Farm Credit Banks Funding Corporation to issue, market, and handle Farm Credit Debt Securities. Subject to Farm Credit Administration approval, the Funding Corporation has the responsibility for establishing the amounts, maturities, rates of interest, terms, and conditions of participation by the System Banks in each issuance of Farm Credit Debt Securities. The objective of the inspection will be to assess whether FCA's approval process for Funding Corporation debt issuances is operating efficiently and effectively and in compliance with applicable guidelines.

Travel Expenses (Survey)

OIG will conduct a survey of FCA employees' travel expenses to determine whether further evaluation of controls, efficiencies or savings may be realized.

Improper Payments (Inspection)

The Improper Payments Elimination and Recovery Act (IPERA) was signed into law on July 22, 2010. The law updates and amends two previously enacted laws related to the prevention and recapture of improper payments. Inspectors General are responsible for determining whether their department or agency is in compliance with seven requirements of the law and submitting an annual report to the head of their department or agency, the Government Accountability Office, the Senate Committee on Homeland Security and Government Affairs, and the House Committee on Oversight and Government Reform.

Inappropriate Use of Agency IT Resources (Inspection)

There has been increasing concern regarding Federal employees' use of government equipment and official time to view inappropriate internet sites. Viewing and downloading from inappropriate web sites with an Agency computer could result in a significant misuse of official Agency resources, loss of productivity, and a potentially hostile work environment. In addition, there is a security risk for the Agency due to malware commonly found on such websites. We will assess FCA's controls to prevent and detect use of Agency computers to view and download inappropriate material from the internet.

FY 2012

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.

Consulting and Other Services (Audit)

Consulting and other services are the Agency's second largest expense after salaries and benefits and significantly increased by 48 percent from FY 2007 (\$2,629,472) to FY 2010 (\$3,891,546). We will evaluate the reasons for this increased reliance on contractors and oversight of contracted activities.

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.

IT Investments Performance Measures (Inspection)

The Agency has made significant information technology 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.

General Control Review: Access Controls (Audit)

Access controls are necessary to prevent authorized modifications, disclosure, or loss of data. We will evaluate access controls at FCA to ensure they provide reasonable assurance that computer resources are protected against unauthorized access.

Beyond FY 2012

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

**Farm Credit Administration
Office of Inspector General
Fiscal Years 2011-2012**

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, 2010. Except for external environmental challenges, they can be effectively addressed through concerted action by Agency management.

Farm Credit System

Safety and Soundness

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

Mission

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

Farm Credit Administration

Agricultural Economic Downturn

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

- the System has experienced rapid growth for several years, which has had the effect of eroding the System's capital to assets ratio;

- large shared assets among many System institutions are experiencing serious difficulty;
- several major commodity groups are experiencing extreme stress;
- asset quality at many associations and several Farm Credit banks has deteriorated; and
- land values, which may not be sustainable, are high.

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

Agency Governance

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

Strategic Planning

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

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

Human Capital

In 2006, a 5-year strategic human capital plan was completed spanning FYs 2007-2011. The Agency has adopted a strategy of annually updating the plan, resulting in a moving 5-year plan. The plan is comprehensive and, because of the ongoing updating, reflective of current human capital issues facing the Agency. For example, in addressing the attrition of seasoned staff, the Agency has been actively recruiting and hiring at both the entry and midcareer-levels,

particularly as it pertains to ensuring the ongoing capability of examination staff. FCA's **challenge** is to continue to emphasize, implement, and update the human capital plan to ensure FCA has the staff it needs to effectively regulate a constantly evolving FCS, as managing human capital is an ever-present and evolving necessity. This is particularly important as it applies to the training and commissioning program for newly hired entry and midcareer-level examination staff.

Leveraging Technology

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

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

**Farm Credit Administration
Office of Inspector General
Fiscal Years 2011-2012**

IRM PLAN SUMMARY								
IRM Budget Category	Object Code	FY 2011 Costs	FY 2012 Costs	FY 2013 Costs	FY 2014 Costs	FY 2015 Costs	FY 2016 Costs	Total Costs
<i>Telecommunications Rentals</i>	2351	680	680	680	680	680	680	4,080
<i>Wireless Communications</i>	2354	840	840	840	840	840	840	5,040
<i>Supplies</i>	2611	120	240	120	240	120	240	1,080
<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	190	150	190	150	190	150	1,020
Sub Total		\$2,550	\$2,630	\$2,550	\$2,630	\$2,550	\$2,630	\$15,540
<i>Manpower Costs for three IRM Projects</i>	NA	7,650	7,650	4,950	4,950	4,950	4,950	35,100
Total		\$10,200	\$10,280	\$7,500	\$7,580	\$7,500	\$7,580	\$50,640

**Farm Credit Administration
Office of Inspector General
Fiscal Years 2011-2012**

FY 2011 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	\$888,482	81%	3.7	81%
Investigations	\$21,938	2%	0.1	2%
Legislation and Regulations Review	\$21,938	2%	0.1	2%
Outreach	\$164,533	15%	0.7	15%
Total	\$1,096,891	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—\$888,482..... 3.7 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—\$21,938..... 0.1 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 2011—\$21,938..... 0.1 FTE

**Farm Credit Administration
Office of Inspector General
Fiscal Years 2011-2012**

FY 2011 REVISED PRODUCTS AND SERVICES BUDGET

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—\$164,533.....0.7 FTE

**Farm Credit Administration
Office of Inspector General
Fiscal Years 2011-2012**

FY 2012 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	\$893,094	81%	3.7	81%
Investigations	\$22,052	2%	0.1	2%
Legislation and Regulations Review	\$22,052	2%	0.1	2%
Outreach	\$165,387	15%	0.7	15%
Total	\$1,102,585	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—\$893,094.....3.7 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—\$22,052..... 0.1 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—\$22,052..... 0.1 FTE

**Farm Credit Administration
Office of Inspector General
Fiscal Years 2011-2012**

FY 2012 PROPOSED PRODUCTS AND SERVICES BUDGET

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—\$165,387.....0.7 FTE