

Semiannual Report to the Congress

April 1, 2016 through September 30, 2016



FARM CREDIT ADMINISTRATION

OFFICE OF INSPECTOR

GENERAL



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Message from the Inspector General

I am pleased to submit this Semiannual Report to the Congress. This report summarizes the activities and accomplishments of the Farm Credit Administration's (FCA or Agency) Office of Inspector General (OIG) for the period April 1, 2016 through September 30, 2016. The OIG's efforts were directed toward implementing the OIG's Fiscal Year (FY) 2016 strategic and operating performance plan and budget. The OIG does so by performing audits, inspections, and evaluations of FCA programs and operations; conducting investigations; reviewing existing and proposed legislation and regulations relating to Agency programs and the IG community; and providing objective, independent reporting and consultation with the FCA Board.

The OIG issued five audit and inspection reports during this reporting period. Additionally, the OIG issued 26 surveys to Farm Credit System (FCS) institutions, designed to obtain feedback on the quality of the FCA examination program. Two survey reports summarizing the results were delivered to the Chief Examiner and FCA Board. We completed audits of: *FCA's Controls Over the Electronic Official Personnel Folder, Examinations of Business Continuity at Farm Credit System Institutions, FCA's Position Management and Job Evaluation Program, and FCA's Oversight of Young, Beginning, and Small Farmer Programs.* We also completed an inspection on the *Elimination of Unnecessary Use of Social Security Numbers at FCA.*

I would like to acknowledge the effective efforts of the talented OIG staff in providing timely and comprehensive products. These OIG efforts, together with the interest and cooperation of Agency management, continue to result in improved programs and operations at FCA. The FCA management is both cooperative and responsive. OIG findings are generally accepted and there is a willingness to consider and make improvements. I look forward to continuing our positive relationship with all FCA managers and collaboration with the FCA Board, as we continue to strengthen FCA operations in good times and in more challenging times to meet the needs of American agriculture, keeping the nation's economy strong and helping meet global food needs.

Elizabeth M. Allen



FARM CREDIT ADMINISTRATION

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

As a non-appropriated agency, FCA funds its expenses primarily through assessments to the institutions it regulates. FCA's Fiscal Year 2016 budget was \$66,200,000.

At the end of the prior semiannual reporting period, the Agency had 288 employees. At the end of this reporting period, FCA had 314 employees, about half of which are examiners located in five field offices.



FARM CREDIT SYSTEM

The FCS is a Government-sponsored enterprise comprised of 3 Farm Credit Banks, 1 Agricultural Credit Bank, and 74 associations serving all 50 states and Puerto Rico that primarily make loans to agriculture. The System raises funds by selling securities in the national and international money markets through its special purpose entity, the Federal Farm Credit Banks Funding Corporation. These securities are not guaranteed by the U.S. Government.

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

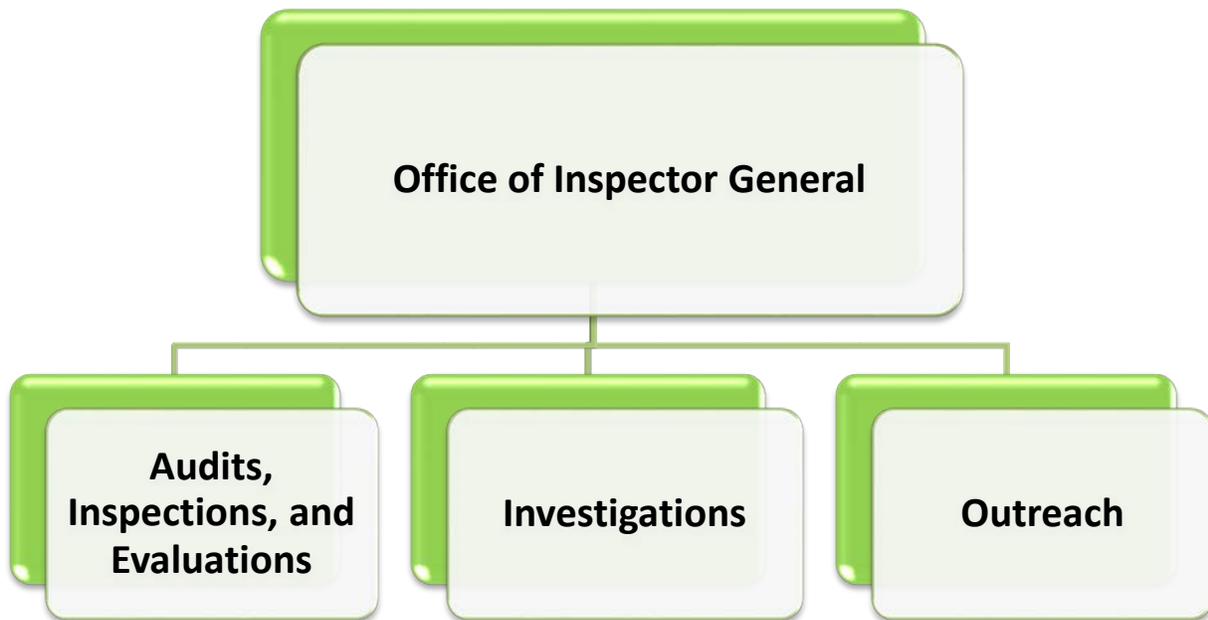
OFFICE OF INSPECTOR GENERAL

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

The Inspector General is appointed by the FCA Board without regard to political affiliation and solely based on integrity and demonstrated ability in accounting, auditing, financial analysis, management analysis, investigations, law, or public administration. The OIG's FY 2016 budget was \$1,493,393. The OIG's proposed FY 2017 budget is \$1,563,324.

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

The OIG has three major components: audits, inspections, and evaluations of programs and operations; investigations; and outreach.



Strategic Goals

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

Strategic Goal 1:

Audit, inspect, and evaluate the Agency's programs and operations to assist the Agency in fulfilling its oversight mission more efficiently and effectively.

In pursuit of this goal, the OIG continues to provide quality reports to FCA management for improvement to programs. The OIG initiates a risk-based approach in planning our workload. During this reporting period, we issued four audit reports on: FCA's controls over the Electronic Official Personnel Folder; business continuity examinations; position management; and oversight of young, beginning, and small farmer programs. We also issued an inspection report on the elimination of unnecessary use of social security numbers at FCA. The issued reports were timely and constructive developed to improve Agency effectiveness and efficiency. As a result of our work, 17 recommendations were made to FCA management. Each action was agreed-upon by Agency management. We also have work ongoing for the FY 2016 financial statement audit and FISMA evaluation.

Communication with Agency stakeholders is another key aspect of the OIG's effective oversight. During our reviews we continuously meet with officials to keep them informed of results and areas for improvements. The Inspector General also holds regular meetings with FCA Board members to discuss work products and Agency priorities.

The OIG is continuously working to ensure compliance with standards, improve internal processes, and advance professional competencies. This year, in compliance with the IG Act and government auditing standards, an external peer review of the audit function was performed by the IG of the Federal Labor Relations Authority. Our office received a "pass" rating, which is the highest possible. In addition, our quality assurance review found the OIG established and implemented effective internal policies and procedures. We continue to prioritize staff training to both meet requirements for professional education and gain new skills.

Strategic Goal 2:

Investigate alleged wrongdoing to prevent and detect fraud, abuse, and mismanagement in Agency programs and operations and to address Congressional, public, and employee concerns.

OIG's investigative function recognizes the importance of fairness and transparency in the OIG's investigative mission. The Deputy IG/Counsel performs the investigative function for the OIG. For this reporting period, we opened two preliminary investigations and closed one. As of the end of the reporting period, the OIG has one pending preliminary investigation. The closed investigation addressed allegations relating to travel expenses and the allegations were not substantiated.

We also received 23 complaints via the OIG Hotline during the April through September timeframe, four of which were FCS borrower complaints. All 23 complaints were referred, responded to, or closed during the reporting time period except two that are pending review.

OIG's public release of brief summaries of closed investigations, without including personally identifiable information, highlights OIG's emphasis on transparency in performing its statutory mission. These publications also serve as a deterrent against wrongdoing and confirm the effectiveness and responsive nature of OIG's investigations. When appropriate, OIG also provides advisories to the Agency on systemic issues and increased risks identified during the course of some investigations. This heightens public confidence in the integrity of FCA programs and oversight operations by strengthening the Agency's internal policies, procedures, and controls.

OIG's orientation presentation to all new Agency employees educates employees on OIG's Hotline by encouraging employees to reach out to OIG with concerns regarding fraud, waste, and abuse relating to Agency programs and operations. OIG's development of an online fraud awareness training webinar also will provide the Inspector General's office with another avenue for reaching out to Agency employees to facilitate an open door between the OIG and Agency employees. A new OIG initiative, "Ask the IG", will provide Agency employees with a mechanism to ask questions regarding the IG's mission and authorities in order to encourage communication between the OIG and Agency employees and create a better understanding of OIG's role. OIG also continues its work on cross-cutting audit, investigation, and inspection issues that impact not only other OIGs, but Federal agencies across the Federal government.

Strategic Goal 3:

Review and make recommendations regarding existing and proposed legislation and regulations and provide other outreach to support the Agency's oversight mission and the Inspector General community on government-wide issues.

Reviewing and commenting on proposed and existing legislation and regulations affecting FCA and the IG community is an important area for the OIG. During this reporting period, we reviewed 35 items, including 25 legislative initiatives; eight final rules; one proposed rule; and one Informational Memorandum issued by the FCA's Office of Examination (OE). These issuances addressed varied issues, including, but not limited to:

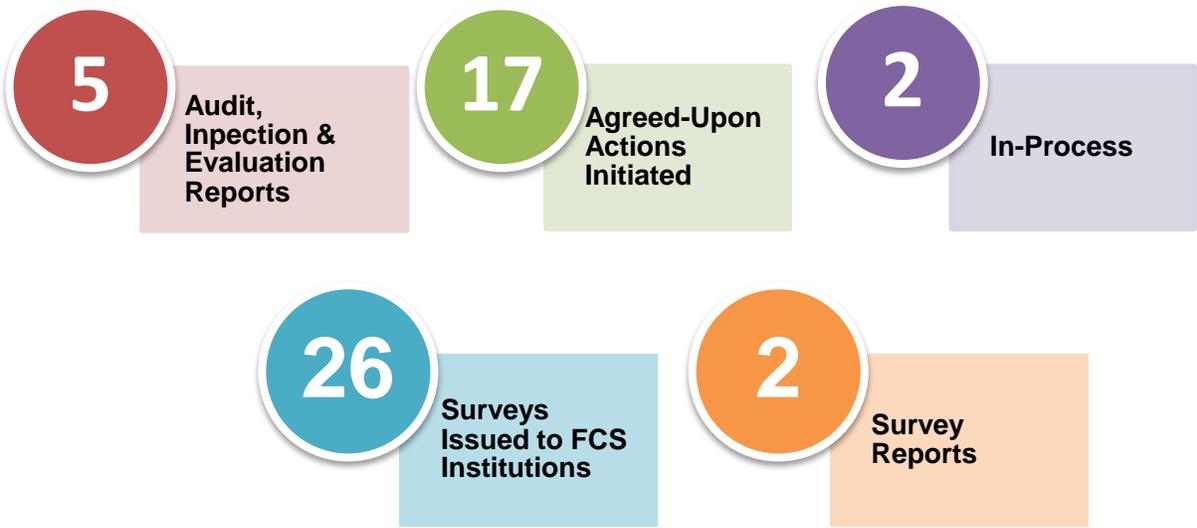
- Standards of Ethical Conduct for Employees of the Executive Branch
- Equal Opportunity and Diversity
- Federal Agricultural Mortgage Corporation Governance and Risk Management
- Releasing Information; Availability of Records of the FCA; Freedom of Information Act (FOIA) Fees – Regulatory Amendments Under the FOIA Improvement Act of 2016
- Controlled Unclassified Information
- Revised Guidelines on Submission of Proposals to Merge or Consolidate Farm Credit System Banks and Merge or Consolidate Farm Credit System Associations

Most OIG products are posted on our public website to ensure timely, effective communication and transparency. The OIG annually briefs incoming employees on the OIG's history, mission, reporting, and audit and investigative activities during FCA's new employee orientation. OIG staff participate in workgroups, conferences, and training to support and advance the IG community, FCA, and the Federal government. The IG is a member of the Executive, Legislation, and Inspection and Evaluation Committees of the Council of Inspectors General on Integrity and Efficiency (CIGIE). The CIGIE Legislation Committee has engaged in several responses to legislative efforts and congressional hearings. The Deputy/Counsel is Vice-Chair of CIGIE's Council of Counsels, and participates in CIGIE working groups, including the Deputy Inspectors General Working Group, Council of Counsels to IGs (CCIG), CIGIE Records Administrators Group, and Small OIGs Working Group. The auditors are involved with CIGIE cross-cutting projects, the Federal Audit Executive Council (FAEC), the Inspection and Evaluation Roundtable, and OIG Community Public Affairs.

Audits, Inspections, and Evaluations

REPORTS ISSUED

This reporting period, the OIG continued to provide FCA with high quality products. We issued four audit reports and one inspection report with a total of seventeen agreed-upon actions by FCA management. We have two in-process reviews initiated during this six-month period. The OIG also issued 26 surveys to FCS institutions and two reports on the survey results to the Chief Examiner and FCA Board. The reports summarize survey results and stakeholder opinions on the quality and issues involved in the examination function.



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

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

Audit of FCA's Controls Over the Electronic Official Personnel Folder

The objective of the audit was to review the effectiveness of controls related to the Electronic Official Personnel Folder (eOPF). FCA has a responsibility to maintain official personnel records for its employees in accordance with requirements. Within FCA, the Human Resources (HR) Team oversees the eOPF system.

We found FCA implemented various controls since the eOPF implementation in 2009. The Agency created an eOPF security plan, and a process was in place to review a listing of records accessed and roles report identifying personnel with access to employee eOPFs. We also found personnel actions performed in eOPFs were timely. FCA had awarded a contract to ensure service computation dates were accurate and documented correctly. Another contract was let to eliminate a backlog of documents to be scanned into eOPFs. The HR Team had conducted a benefits review in 2015 focused on ensuring eOPFs contained correct benefit election forms.

Our review identified opportunities to improve: incomplete or missing forms, access controls, and progress by contractors. We found issues with forms because of: in-process internal procedures; gaps in the process for new, transferred and promoted employees; and an ineffective process for collecting emergency contact forms. We also identified former employees whose eOPFs were past due for transfer. Some users had logged into the system but were not identified as authorized. Lastly, for the contractor hired to review eOPFs for complete Federal service history, salary, military service, and other creditable service, many outstanding items remained open and needed to be resolved.

In response to our audit, the Agency agreed to take the following actions:

1. Document decisions on those forms FCA is requiring in the eOPF and finalize the eOPF Internal Procedures.
2. Develop and implement policies, procedures, and/or controls for new, transfer, and promoted employees to ensure completeness.
3. Initiate a process to review and transfer eOPFs for separating personnel. Monitor status of transferred files on a quarterly basis to ensure folders are closed and can no longer be accessed.
4. Complete a plan to update missing information that includes finalizing the results from the contractor review.

The final report was issued April 21, 2016.

Examination of Business Continuity at Farm Credit System Institutions

FCA requires FCS institutions to have policies and procedures that address “business resumption after disruption.” Business continuity planning refers to the activities necessary to continue, resume, and recover an organization’s business processes when operations are interrupted unexpectedly. The objective of this audit was to evaluate FCA’s process in determining which business continuity procedures were performed at FCS institutions and whether there were any gaps during the Agency’s examination process.

FCA issued guidance in the form of directives and an Examination Manual that provides elements an examiner should consider during examination and monitoring of System institutions. As a result of our audit recommendations, OE modified a few references in the Examination Manual that needed updates.

In our review of the examination of business continuity procedures performed at System institutions, we observed documentation supporting the procedures performed and conclusions made. In most cases, if a procedure was not performed, there was justification provided in the workpapers. In a few cases, the workpapers did not identify justification for skipping a procedure during the examination cycle. The reasons for not performing a procedure were a result of the risk based approach, resource availability, and priorities.

OE developed workpaper templates to be used during the examination of business continuity that describe the items an examiner should consider. Our audit identified the workpaper templates as an effective method for documenting the work performed and observations made during examinations of business continuity when they were used. However, the templates were not consistently included in the workpaper documentation.

As a result of our audit recommendations, OE took the following actions that will improve the examination of business continuity at FCS institutions:

1. Updated references in the Examination Manual.
2. Reminded examiners to document their justifications for examining or skipping the business continuity topic at System institutions.
3. Encouraged examiners to utilize workpaper templates when completing the business continuity examination procedures, especially those examiners with little or no experience in this area.

The final report was issued on June 1, 2016.

Elimination of Unnecessary Use of Social Security Numbers at FCA

The core mission of FCA is to ensure a safe, sound, and dependable source of credit and related services for agriculture and rural America. With this mission comes a responsibility to safeguard sensitive FCS and loan information, as well as sensitive, personal information within the Agency itself, including personally identifiable information (PII).

The objective of the inspection was to determine whether the Agency has eliminated unnecessary use of Social Security Numbers (SSN) and is safeguarding SSN information in Agency processes and systems.

We found the Agency is not storing or using Social Security Numbers unnecessarily and there are safeguards in place when SSN information is used in Agency processes and systems. The Agency:

- Eliminated requests for SSNs from current FCA forms, with the exception of a few for which SSN use accomplishes an agency function;
- Does not unnecessarily collect and store SSNs in its processes and systems; and
- Protects SSN information with administrative, technical and physical safeguards.

The inspection report contained no recommendations or agreed-upon actions.

The final report was issued August 31, 2016.

FCA's Position Management and Job Evaluation Program

FCA has a position management and job evaluation program to identify, rate, and assign grade levels to Agency positions according to their relative contribution to accomplishment of Agency goals, objectives, and mission requirements. The objective of the audit was to determine whether the position management and job evaluation program is adequately administered.

We found FCA adequately administered the program. Career ladder positions have generally been established and documented in position descriptions, and a system is in place to evaluate and rank positions within the Agency. FCA also updated the format for position descriptions to correlate with job evaluation factors and provide more standardized information to decrease the amount of judgement used for job evaluation scoring.

Despite these advances, we identified opportunities to further improve the job evaluation system and position management. Scoring in the job evaluation system did not always correspond to information in position descriptions, and some position descriptions lacked information to support rankings. There was a lack of knowledge and documentation surrounding the job evaluation system, process, and scoring factors. We also identified incomplete files and inconsistent processes for Agency desk audits used to determine whether a position should be graded at a different level.

In response to our audit, the Agency agreed to take the following actions:

1. Create internal procedures on the job evaluation and position management program to memorialize and standardize HR processes. Include additional controls over inputs into the job evaluation system.
2. Establish and initiate a plan to update all position descriptions to the new format. Address inconsistencies identified between position descriptions and the rating system.
3. Document the method chosen to increase transparency of the job evaluation system.
4. Document how the job evaluation system works and how weights are assigned to the factors to ensure adequate knowledge of the system exists in the Agency. Safeguard the information as appropriate. Seek contractor assistance as necessary.
5. Document the promotion process at the Executive Management Team phase of the OE career ladder.
6. Revise Policy and Procedure Manual 819 for the position description review and desk audit withdrawal processes.

The final report was issued September 23, 2016.

FCA's Oversight of Young, Beginning, and Small Farmer Programs

The Farm Credit Act of 1971, as amended, set forth requirements for System institutions to serve young, beginning, and small farmers and ranchers (YBS). Specific standards for the System's YBS programs are promulgated in FCA regulations. FCA's oversight includes reviews of YBS programs by OE and analysis of trends and regulation development within the Office of Regulatory Policy (ORP). The objective of this audit was to determine whether FCA's oversight of YBS programs is effectively administered.

We found oversight was effectively administered, and FCA had an extensive program in place to oversee the System's YBS programs and trends. OE's examination process includes a risk-based YBS procedure, and ORP analyzes and reports on the System's YBS trends and performance each year through multiple communication channels. This year-round process informs Congress, the public, the FCA Board, and System institutions.

We identified areas for improvement related to documentation, data integrity, and disclosures in annual reports to shareholders. ORP had not documented its YBS oversight process and control activities in policies and procedures. We also identified improvements to YBS data processes, documenting transaction testing in examinations, and development of a plan to implement recommendations in ORP's YBS definitions review. Lastly, annual reports to shareholders did not always fully describe the status and results of quantitative and qualitative YBS goals. Actions in these areas will strengthen oversight through additional controls, consistency, and transparency.

The following actions were agreed-upon as a result of our audit:

1. ORP document policies and procedures for YBS oversight activities, including:
 - A methodology for YBS comparison reporting that accounts for institution size; and
 - A process to address deficiencies identified through YBS reporting and analysis.
2. ORP incorporate YBS oversight activities and processes in internal control planning and evaluation.
3. ORP develop a plan for addressing recommendations in the Agency's YBS definitions review.
4. OE provide guidance to examiners to ensure YBS transaction testing and conclusions are appropriately documented.
5. ORP complete an interpretation on YBS disclosure requirements in annual reports to shareholders.

The final report was issued September 28, 2016.

AUDITS AND EVALUATIONS IN PROCESS

Audit of FCA's Financial Statements Fiscal Year 2016

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

In continuing to assist the Agency in meeting these requirements, the OIG contracted with Harper, Rains, Knight & Company, P.A. to perform the audit of FCA's financial statements for FY 2016. The audit remained ongoing at the end of this reporting period. For FY 2015, the OIG also contracted with Harper, Rains, Knight & Company, P.A. to perform the audit.

FY 2016 Federal Information Security Modernization Act Evaluation

The evaluation of the Agency's compliance with the Federal Information Security Modernization Act (FISMA) for FY 2016 is performed by the OIG's Senior Information Technology Auditor and Senior Auditor using guidelines established by FISMA, OMB, the Department of Homeland Security, and the National Institute of Standards and Technology. This evaluation was ongoing as of September 30, 2016.

Audits, Inspections, and Evaluations

STATUS OF AGREED-UPON ACTIONS AND RECOMMENDATIONS

In total, there were 17 agreed-upon actions added from our five reports issued for the reporting period. We had 21 actions open at the beginning of the period to carry over. As of September 30, 2016, 18 agreed-upon actions remained open.

Audit, Inspection, and Evaluation Agreed-Upon Actions					
Report	Issued	Carryover from Prior 6-Month Period	New During this 6-Month Period	Final Management Actions During this 6-Month Period	Open on 9/30/2016
FCA's Commissioning Program	3/31/2015	3	0	0	3
Human Capital Planning at FCA	2/29/2016	10	0	10	0
FCA's Risk Project	3/31/2016	5	0	1	4
FCA's Process in Developing and Updating Agency Policies and Procedures	3/31/2016	3	0	3	0
FCA's Oversight of the Electronic Official Personnel Folder	4/21/2016	0	4	4	0
Examination of Business Continuity at Farm Credit System Institutions	6/1/2016	0	2	2	0
FCA's Position Management and Job Evaluation Program	9/23/2016	0	6	0	6
FCA's Oversight of Young, Beginning, and Small Farmer Programs	9/28/2016	0	5	0	5
Total		21	17	20	18

Audits, Inspections, and Evaluations

OPEN AGREED-UPON ACTIONS

The following charts show open agreed-upon actions for issued reports as of September 30, 2016:

FCA's Commissioning Program (Issued 3/31/15)	
Agreed-Upon Action Number 1	Identify and track specific commissioning costs to evaluate the cost of the program and identify cost-saving opportunities and consider timekeeping code revisions, with OMS assistance in implementation.
Agreed-Upon Action Number 3	Analyze the costs and benefits of streamlining and consolidating current testing and assessment milestones through the elimination of the final Commissioning Test simulations.
Agreed-Upon Action Number 9	Revise processes to provide feedback to every Associate Examiner on Technical Evaluations and Commissioning Test multiple-choice test performance.

FCA's Risk Project (Issued 3/31/16)	
Agreed-Upon Action Number 1	<p>Add or modify current procedures for large IT investments to:</p> <ul style="list-style-type: none"> • Designate a project manager and project management responsibilities; • Assess resources and determine whether consultants are needed for project planning and implementation; and • Establish guidelines for incremental investment.
Agreed-Upon Action Number 2	Establish a control to ensure project management guidance is implemented for large IT investments.
Agreed-Upon Action Number 3	Create an incremental project plan for the remainder of the Risk Project in coordination with the Risk Project workgroup. Include an assessment of required resources and tasks requiring consultants and evaluate other tools that may be incorporated to accomplish Risk Project goals and objectives.
Agreed-Upon Action Number 4	Modify standard operating procedures to define levels of approval for large IT acquisitions and establish a control to ensure appropriate reviews and approvals are obtained.

Audits, Inspections, and Evaluations

FCA’s Position Management and Job Evaluation Program (Issued 9/23/16)	
Agreed-Upon Action Number 1	Create internal procedures on the job evaluation and position management program to memorialize and standardize HR processes. Include additional controls over inputs in the job evaluation system.
Agreed-Upon Action Number 2	Establish and initiate a plan to update all position descriptions to the new format. Address inconsistencies identified between position descriptions and the rating system.
Agreed-Upon Action Number 3	Document the method chosen to increase transparency of the job evaluation system.
Agreed-Upon Action Number 4	Document how the job evaluation system works and how weights are assigned to the factors to ensure adequate knowledge of the system exists in the Agency. Safeguard the information as appropriate. Seek contractor assistance as necessary.
Agreed-Upon Action Number 5	Document the promotion process at the EMT phase of the OE career ladder.
Agreed-Upon Action Number 6	Revise PPM 819 for the position description review and desk audit withdrawal processes.

FCA’s Oversight of Young, Beginning, and Small Farmer Programs (Issued 9/28/16)	
Agreed-Upon Action Number 1	ORP document policies and procedures for YBS oversight activities, including: <ul style="list-style-type: none"> • A methodology for YBS comparison reporting that accounts for institution size and • A process to address deficiencies identified through YBS reporting and analysis.
Agreed-Upon Action Number 2	ORP incorporate YBS oversight activities and processes in internal control planning and evaluation.
Agreed-Upon Action Number 3	ORP develop a plan for addressing recommendations in the Agency’s YBS definitions review.
Agreed-Upon Action Number 4	OE provide guidance to examiners to ensure YBS transaction testing and conclusions are appropriately documented.
Agreed-Upon Action Number 5	ORP complete an interpretation on YBS disclosure requirements in annual reports to shareholders.

QUARTERLY SURVEY OF FARM CREDIT SYSTEM INSTITUTIONS

The OIG administers an ongoing survey of FCS institutions regarding the quality and consistency of the Agency's examination function, including the examiners' performance. Without attribution, the OIG issues a quarterly report, and, at the end of each fiscal year, a summary report on the survey results to the Chief Examiner and the FCA Board.

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

- **Second Quarter (January 1 – March 31, 2016)**

In April 2016, the OIG issued 13 surveys to FCS institutions for feedback on the examination program and staff during the second quarter of FY 2016. Eleven FCS institutions responded. The OIG issued a report in June 2016 to the Chief Examiner and the FCA Board.

- **Third Quarter Fiscal Year 2016 (April 1 – June 30, 2016)**

In July 2016, the OIG issued 13 surveys to FCS institutions for feedback on the third quarter of FY 2016. Eleven institutions responded. The OIG provided a report in September 2016 to the Chief Examiner and the FCA Board.

[OIG Strategic and Operating Performance Plan for Fiscal Years 2017-2018](#)

Each year, FCA OIG prepares a Strategic and Operating Performance Plan to cover the office's goals, budget, and project plan for the upcoming fiscal years. This year, the Agency revised its strategic goals, and the FCA OIG did the same in order to ensure its goals work in conjunction with the Agency goals that are designed to assist the FCA in fulfilling its oversight and public agricultural and rural missions. The FCA OIG streamlined its strategic goals to three goals that focus on OIG's core audit, evaluation, investigation, and outreach missions:

OIG Goal 1 — Audit, inspect, and evaluate the Agency's programs and operations to assist the Agency in fulfilling its oversight mission more efficiently and effectively.

OIG Goal 2 — Investigate alleged wrongdoing to prevent and detect fraud, abuse, and mismanagement in Agency programs and operations and to address Congressional, public, and employee concerns.

OIG Goal 3 — Review and make recommendations regarding existing and proposed legislation and regulations and provide other outreach to support the Agency's oversight mission and the Inspector General community on government-wide issues.

[Quality Assurance Review Report](#)

The objective of the OIG's annual Internal Quality Assurance Review is to determine whether internal procedures were established, implemented, and operating effectively within FCA OIG. The OIG's Internal Quality Assurance Review found the OIG established and implemented effective internal policies and procedures. The report was completed September 19, 2016.

[Peer Review of FCA OIG](#)

A peer review of FCA OIG was conducted by the Federal Labor Relations Authority OIG and issued August 2, 2016. The review found that FCA OIG's system of quality control for the audit organization in effect for the year ended March 31, 2016 was suitably designed and complied with to provide reasonable assurance that performance and reporting is in conformance with professional standards in all material respects. Professional standards for audit organizations are established by the Government Accountability office as well as the Council of Inspectors General for Integrity and Efficiency. FCA OIG achieved a "pass" rating, which is the highest rating possible in the peer review process. An external peer review must be completed every three years, as required by the Inspector General Act of 1978, as amended.

Investigations



Investigations

This reporting period, the OIG opened two investigations and closed one. The closed investigation involved allegations relating to travel expenses and was not substantiated. The OIG conducts preliminary investigations to evaluate the extent of investigative activity required for specific complaints. It evaluates the nature of the allegation and related jurisdictional issues, generally assessing availability of records, credibility, and other factors to determine whether the case has criminal, civil, or administration violations that necessitate formal investigation.

Hotline

The OIG Hotline is available 24/7 to receive tips and complaints about fraud, waste, or abuse relating to FCA programs and operations. The Hotline allows individuals to report their allegations to the OIG directly and confidentially and is available through email, phone, fax, and mail. OIG evaluates all Hotline complaints on multiple levels, examining jurisdictional issues, the type of allegation, and other factors. OIG refers all borrower complaints to the FCA Office of Congressional and Public Affairs as required by FCA policy and procedure, and follows up as appropriate.

During the reporting period, the OIG received 23 Hotline complaints, four of which involved borrowers. Two of the Hotline complaints are pending review, as they were received at the end of the reporting period. The remaining 21 complaints were referred for preliminary investigation or to the FCA office responsible for reviewing related issues, or they were responded to or administratively closed, including 15 closed because they involved matters outside OIG's jurisdiction and/or had already been sent to the appropriate agency.

Legislative and Regulatory Reviews

This past reporting period, OIG continued to review existing and proposed legislation and regulations, and commented or provided analysis as a member of the CIGIE Legislative Committee, through the Council of Counsels to the Inspectors General, and to the Agency as required. The OIG also continued to review proposed and final regulations. During this reporting period, we reviewed:



The following were reviewed:

Legislation

1. S. 742, Stop Wasteful Federal Bonuses Act of 2015
2. S. 2715, National Security Whistleblower Protection Act of 2015
3. S. 2714, Security Clearance Oversight and Accountability Act
4. S. 2723, Congressional Whistleblower Protection Act of 2016
5. S. 356, Electronic Communications Privacy Act Amendments Act of 2015
6. H.R. 1557, Federal Employee Antidiscrimination Act of 2015
7. S. 2012, Energy Policy Modernization Act of 2015
8. S. 2837, Commerce, Justice, Science, and Related Agencies Appropriations Act of 2017
9. S. 2577, Military Construction, Veterans Affairs, and Related Agencies Appropriations Act of 2015
10. H.R. 4361, Federal Information Systems Safeguards Act of 2016
11. S. 337, FOIA Improvement Act of 2015
12. S. 2968, OSC Reauthorization Act of 2016
13. H.R. 4639, Thoroughly Investigating Retaliation Against Whistleblowers Act
14. H.R. 4909, National Defense Authorization Act of FY 2017
15. S. 1378, Bonuses for Cost-Cutters Act of 2015
16. H.R. 5709, Federal Records Modernization Act – record retention reporting requirements
17. H.R. 5485, Financial Services and General Government Appropriations Act
18. S. 795, Bill to Enhance Whistleblower Protection for Contractor and Grantee Employees
19. S. 2972, Grant Act

Legislative and Regulatory Reviews

20. S. 2450, Administrative Leave Act
21. S. 2976, The DHS Accountability Act
22. H.R. 5922, Saving Federal Dollars Through Better Use of Government Purchase and Travel Cards Act of 2016
23. H.R. 5839, The Public Online Information Act of 2016
24. H.R. 5795, Forensic Science and Standards Act of 2016 (related S. 3259, Forensic Science and Standards Act of 2016)
25. S. 3184, Back the Blue Act of 2016

Proposed Rules

1. *Amendments to 5 CFR Part 2635, Standards of Ethical Conduct for Employees of the Executive Branch*, 81 Fed. Reg. 74004-74018 (Jun. 6, 2016).

Final Rules

1. *Adjustment to Civil Money Penalties Under the Farm Credit Act*, 12 CFR § 622.61(a)(2), 81 F.R. 32633 (May 24, 2016).
2. *Margin and Capital Requirements for Covered Swap Entities*, 12 CFR Part 1221, 81 F.R. 50605 (Aug. 2, 2016).
3. *Federal Agricultural Mortgage Corporation Governance; Standards of Conduct; Risk Management; and Disclosure and Reporting*, 12 CFR Parts 650 et seq., 81 Fed. Reg. 49139 (July 27, 2016).
4. *Equal Employment Opportunity and Diversity*, 81 F.R. 53482 (Aug. 12, 2016).
5. *Tier 1/Tier 2 Capital Framework Final Rule*, 81 F.R. 49720 (Jul. 28, 2016).
6. *Releasing Information; Availability of Records of the FCSIC; Fees for Provision of Information*, 12 CFR § 1402, 81 F.R. 59427 (Aug. 30, 2016).
7. *Releasing Information; Availability of Records of the FCA; FOIA Fees – Regulatory amendments under the FOIA Improvement Act of 2016*, 12 CFR § 602, 81 F.R. 63365 (Sep. 15, 2016).
8. *Controlled Unclassified Information*, 32 CFR § 2002, 81 F.R. 63342 (Sep. 14, 2016).

Informational Memoranda and Bookletters

1. *Revised Guidelines on Submission of Proposals to Merge or Consolidate Farm Credit System Banks and Merge or Consolidate Farm Credit System Associations* (Jun. 1, 2016).

Congressional Interaction

During this reporting period, the OIG also continued provide Congress with information regarding ongoing Agency and OIG activities through meetings and correspondence. OIG issued letter reports on cybersecurity, open recommendations, access to information, and cost savings, specifically to the following committees:

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

These letter reports responded to the Committees' requests for information on various topics, including any attempts to interfere with IG independence; information on open recommendations or limitations placed on the OIG's access to documents, information, and Agency employees; reports not responded to by the Agency within 60 days; and whistleblower retaliation allegations. The OIG also issued a letter report as required by section 406(b) of the Cybersecurity Act of 2015, which required each OIG to report information regarding its agency's policies, practices, and controls relating to logical access, multi-factor authentication, privileged users, and other technology-related areas of interest.

Through its participation in CIGIE activities, including the CIGIE Legislative Committee, and in various workgroups and training activities, the OIG provided assistance throughout the IG community on crosscutting issues involving legislative and executive changes, including work on revisions to government ethics regulations and preparation of a Transition Handbook to be made available in the coming months to presidential transition personnel.

Staff Participation in Activities within the IG Community

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

The Inspector General is a member of CIGIE, which provides a forum for IGs from over 70 government agencies to discuss government-wide issues and shared concerns. Collectively, the members of CIGIE work toward improving government programs and operations, work that involves, for example: comments on proposed legislation; development of projects involving cross-cutting issues; and training development. The IG continues her leadership role on committees and workgroups, and also serves as At Large Delegate on the CIGIE Executive Council. The CIGIE Executive Council assists the Chair in governance of the CIGIE and its members are limited to the current and former CIGIE Chair and Vice Chair, the chair of each standing CIGIE committee, and the At Large Delegate. The IG also continues to serve as a member of CIGIE's Legislation Committee and participates as a member of CIGIE's Inspection and Evaluation Committee, and is the Chair of the Small IG group, a group of IGs who meet quarterly and exchange ideas and practices, as necessary.

The Deputy IG continues her leadership role in the Council of Counsels of IGs (CCIG) as one of two Vice Chairs to the CCIG for 2015-2016. The Deputy IG also participated this reporting period in CIGIE working groups that examined revisions to ethics regulations, and she also assisted in drafting the Presidential Transition handbook as an IG community project. The Deputy IG is a frequent contributor to the CCIG's listserv in answering questions posed by other IG offices; is involved in the CIGIE Records Administrators Group; and also attends quarterly meetings for CIGIE groups including the Assistant Inspectors General for Investigations, OIG FOIA Working Group, Deputy IGs, and the Small OIGs CCIG Working Group.

The OIG Senior IT Auditor and Senior Auditors participate in cross-cutting audit projects and attend FAEC meetings and conferences. The IT Auditor attends local ISACA meetings and is actively involved in the IT Subcommittee of the FAEC. One Senior Auditor is also a member of the CIGIE Roundtable on Inspections and Evaluations and is an Adjunct Instructor for CIGIE's Training Institute. OIG employees are also active in Agency workgroups and task forces, including Special Emphasis groups such as the Asian Americans and Pacific Islander at FCA; PRIDE at FCA; and Federal Women's Program.

Organizational Briefings and Notifications

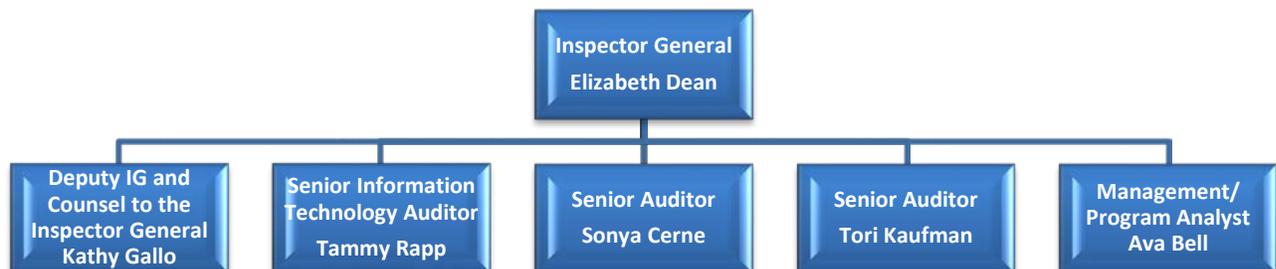
The OIG has distributed posters identifying Hotline and contact information and continues to develop its Fraud Awareness program to provide training and guidance to FCA employees on reporting responsibilities, fraud indicators, methods of reporting, and protections provided to whistleblowers under Federal law and policy. OIG has also highlighted articles on fraud and whistleblower topics and is developing online training on fraud awareness for the Agency. OIG has recently developed an intra agency electronic tool, *ASK the IG*, through which employees can ask questions of the OIG, or make suggestions on topics to review.

Staff Development

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

The OIG also continues to certify its compliance with the Office of Special Counsel's 2302(c) Certification of Whistleblower Notifications by providing its staff with the requisite notice and training on prohibited personnel practices and whistleblower protections. In 2014, the OIG's was one of the first OIG's to complete the OSC 2302(c) certification process, and the FCA OIG continued its certification status this reporting period.

The following organizational chart shows the OIG as of September 30, 2016:



This annex is provided in accordance with the National Defense Authorization Act for FY 2008.

This referenced statute requires all Inspectors General appointed under the IG Act to include an annex to their semiannual reports as follows:

- 1) listing all contract audit reports issued during the reporting period containing significant audit findings;
- 2) briefly describing the significant audit findings in the report; and
- 3) specifying the amounts of costs identified in the report as unsupported, questioned, or disallowed.

Significant audit findings are defined as unsupported, questioned, or disallowed costs in excess of \$10,000,000, or other findings that the Inspector General determines to be significant. It defines contracts as a contract, an order placed under a task or delivery order contract, or a subcontract.

No contract audit reports meeting these criteria were issued on behalf of the OIG during this reporting period.

Index of Reporting Requirements

SECTION	TITLE	Page
4(a)(2)	Review of legislation and regulations	20-21
5(a)(1)	Significant problems, abuses, and deficiencies	None
5(a)(2)	Recommendations for corrective action	7-16
5(a)(3)	Prior recommendations not yet implemented	15-16
5(a)(4)	Matters referred to prosecutive authorities	None
5(a)(5)	Information unreasonably refused or not provided	None
5(a)(6)	List of reports issued	27
5(a)(7)	Summaries of significant reports	8-13
5(a)(8)	Management decisions with questioned costs	28
5(a)(9)	Management decisions on recommendations that funds be put to better use	29
5(a)(10)	Prior audit reports unresolved	None
5(a)(11)	Significant revised management decisions	None
5(a)(12)	Significant management decisions with which the Inspector General disagreed	None
5(a)(13)	Compliance of Agency financial management system	13
5(a)(14)(15)	Peer reviews conducted of this OIG	30
5(a)(16)	Peer reviews conducted by this OIG	31
845	National Defense Authorization Act of FY 2008 Citation and Requirement	25

Audit, Inspection, and Evaluation Reports Issued			
Report	Number of Agreed Upon Actions/Recommendations	Questioned Costs	Recommendations That Funds Be Put to Better Use
FCA's Controls Over the Electronic Official Personnel Folder	4	\$ 0	\$ 0
Examination of Business Continuity at FCS Institutions	2	\$ 0	\$ 0
Elimination of Unnecessary Use of Social Security Numbers at FCA	0	\$ 0	\$ 0
FCA's Position Management and Job Evaluation Program	6	\$ 0	\$ 0
FCA's Oversight of Young, Beginning, and Small Farmer Programs	5	\$ 0	\$ 0
<i>Total</i>	17	\$ 0	\$ 0

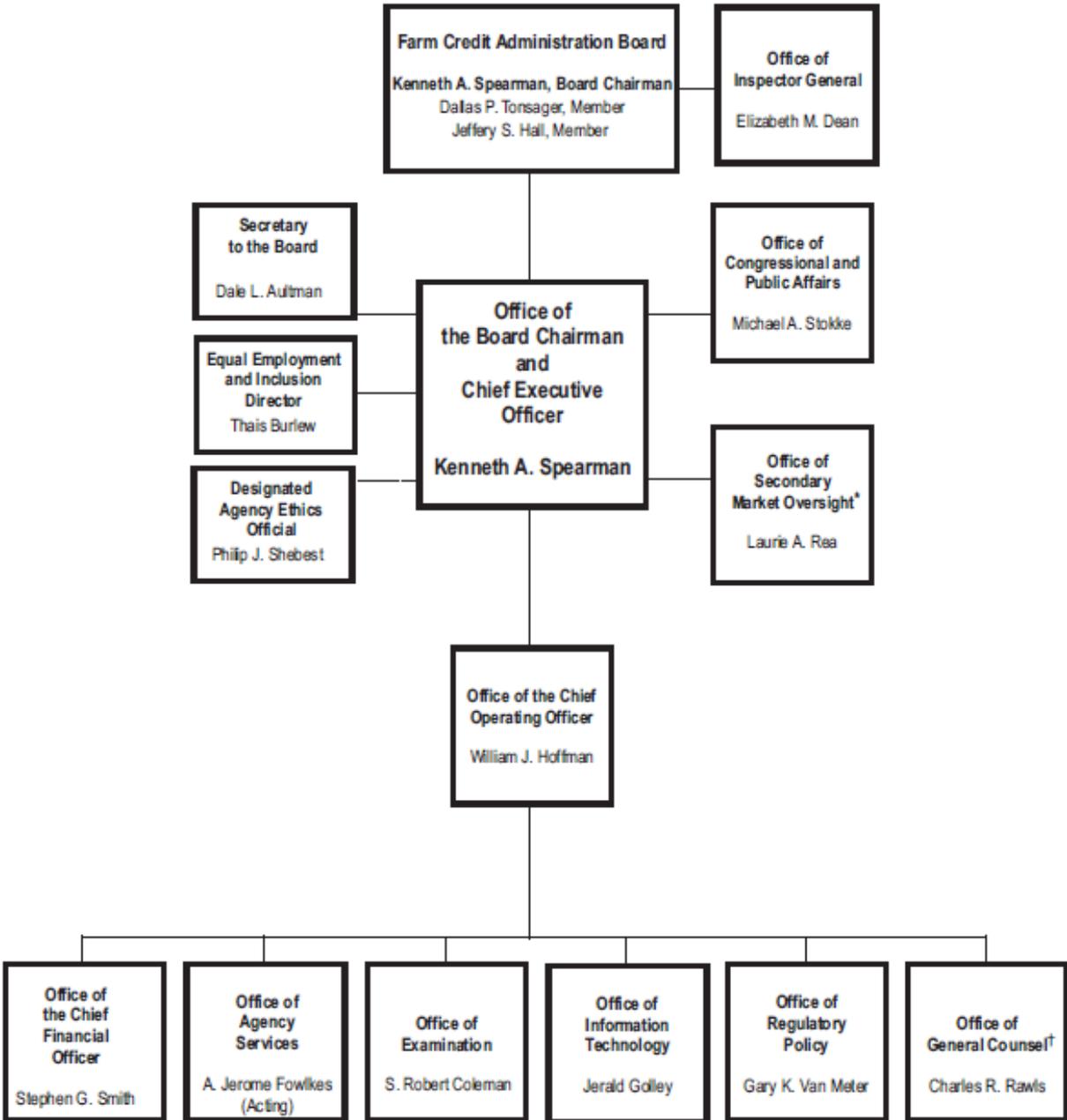
Reports with Questioned Costs				
	Number		Dollar Value	
	Reports	Recommendations	Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period.	0	0	\$ 0	\$ 0
B. Which were issued during the reporting period.	0	0	\$ 0	\$ 0
<i>Subtotals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

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

Peer Reviews Conducted of this Office			
Peer Review Performed By	Date of Report	Function Reviewed	Peer Review Rating
Federal Labor Relations Authority Office of Inspector General	August 2, 2016	Audit	Pass
U.S. Securities and Exchange Commission Office of Inspector General	December 26, 2007	Investigations	Pass

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

FCA ORGANIZATIONAL CHART



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

Glossary of Terms

Agency	– Farm Credit Administration
CIGIE	– Council of the Inspectors General on Integrity and Efficiency
eOPF	– Electronic Official Personnel Folder
FAEC	– Federal Audit Executive Council
Farm Credit Act	– Farm Credit Act of 1971, as amended
Farmer Mac	– Federal Agricultural Mortgage Corporation
FCA	– Farm Credit Administration
FCS	– Farm Credit System
FISMA	– Federal Information Security Modernization Act
FY	– Fiscal Year
H.R.	– House of Representatives
IG	– Inspector General
IG Act	– Inspector General Act of 1978, as amended
IT	– Information Technology
NIST	– National Institute of Standards and Technology
OE	– Office of Examination
OIG	– Office of Inspector General
OIT	– Office of Information Technology
OMB	– Office of Management and Budget
OMS	– Office of Management Services
PPM	– Policies and Procedures
Pub. L.	– Public Law
S.	– Senate
SSN	– Social Security Number
System	– Farm Credit System
YBS	– Young, Beginning, and Small Farmers and Ranchers

R E P O R T

Fraud | Waste | Abuse | Mismanagement



FARM CREDIT ADMINISTRATION

OFFICE OF INSPECTOR GENERAL

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