

**Farm Credit Administration  
Office of Inspector General**

# **Inspection Report**

## **The Farm Credit Administration's Property Management Program**

**I-21-03**

**December 7, 2021**

**FCAOIG**

Farm Credit Administration  
Office of Inspector General



Farm Credit Administration  
Office of Inspector General

December 7, 2021

The Honorable Glen R. Smith, Board Chairman  
The Honorable Jeffery S. Hall, Board Member  
Farm Credit Administration  
1501 Farm Credit Drive  
McLean, Virginia 22102-5090

Dear Chairman Smith and Board Member Hall:

The Office of Inspector General (OIG) completed an inspection of the Farm Credit Administration's (FCA) Property Management Program. The objective of this inspection was to determine if FCA has implemented an adequate process to ensure accuracy in the property management system and adherence to internal policies and procedures.

The inspection found that FCA had implemented a process to account for property and keep employees accountable and responsible for assigned property. We found the status of old laptops donated and sold was properly annotated in the property management system, and FCA had designated responsibility to persons with various roles in the property management process.

However, we identified opportunities to improve the property management process. We identified errors in property assignments and missing or incorrect information in the property system. We also found a piece of purchased property that was not entered into the property system, as required. We found that policies and procedures, accesses, and controls over the program needed to be reviewed, updated, and further defined.

We made nine recommendations in the report to enhance the property management program and ensure accuracy in the property management process. The Office of Agency Services agreed or partially agreed with the recommendations, and we find the completed or planned actions responsive to our recommendations. Due to the corrective actions implemented, we also consider recommendations 3, 7, 8, and 9 closed.

We appreciate the courtesies and professionalism extended by FCA to our staff during the inspection. If you have any questions about this inspection, we would be pleased to meet with you at your convenience.

Respectfully,

A handwritten signature in black ink that reads 'Sonya K. Cerne'.

Sonya K. Cerne  
Assistant Inspector General for Audits, Inspections, and Evaluations

# EXECUTIVE SUMMARY

## FCA's Property Management Program

Report No. I-21-03

December 7, 2021

### Objective

The objective of this inspection was to determine if FCA has implemented an adequate process to ensure accuracy in the property management system and adherence to internal policies and procedures.

### Recommendations

The Office of Inspector General made nine recommendations to the Office of Agency Services to enhance the property management program and ensure accuracy in the property management process. The recommendations relate to documenting and implementing policies and procedures, developing additional controls over the program, and resolving the issues identified in the report.

### Agency Response

Management provided responsive corrective actions for the recommendations made in the report. Management agreed with recommendations 1, 3, 5, 6, 7, and 9. Although management only partially agreed with recommendations 2, 4, and 8, the actions completed or planned by the Office of Agency Services address the weaknesses found in our report and the recommendations. Further, due to the corrective actions implemented over the course of the inspection, we consider recommendations 3, 7, 8, and 9 closed.

### Why We Did This Inspection

The Farm Credit Administration (FCA) invests in property to achieve its mission. Property represents a significant cost to FCA and includes information technology assets that are used to process and store nonpublic information. For these reasons, property needs to be accurately acquired, tracked, and maintained to protect the investment and keep the Agency's nonpublic information secure.

### How We Did This Inspection

We reviewed FCA's property inventory and tested information in the property system over the course of this inspection from June to September 2021. We tested property assignments for new employees and separations at FCA from June 1, 2019 to May 31, 2021, and we reviewed old laptop donation and sales information from April to June 2021. We also reviewed expenses for noncapitalized assets from October 1, 2020 to August 20, 2021.

### What We Found

FCA has implemented a process to account for property and keep employees accountable and responsible for assigned property. We found the status of old laptops donated or sold was properly annotated in the property management system, and FCA had designated responsibility to persons with various roles in the property management process.

However, we identified opportunities to improve the property management process. We identified errors in property assignments for new and separated employees and in the assignments of old laptops not donated or sold. When testing the accuracy of property system data, we identified missing or incorrect information and laptops that were incorrectly assigned to employees. We also identified a piece of purchased property that was not entered into the property system as required. We also identified concerns with policies and procedures, accesses, and controls over the program that need to be reviewed, updated, and further defined.

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## **BACKGROUND**

### **Farm Credit Administration**

The Farm Credit Administration (FCA or Agency) is an independent federal agency responsible for regulating and supervising the Farm Credit System (System) and the Federal Agricultural Mortgage Corporation. The Agency ensures that all System institutions are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America.

In the 2018-2023 Strategic Plan, FCA states that the people who work for and with FCA are a strategic priority and achieving the mission largely depends on its people, practices, and technology. In order to accomplish the mission, the Agency acquires, maintains, and disposes of property such as laptops, mobile devices, monitors, information technology property, and televisions.

### **Office of Agency Services**

FCA's Office of Agency Services (OAS) manages and delivers human capital and administrative services for the Agency. OAS consists of three teams: Human Resources Division, Operations Division, and Learning and Organizational Change Team. The responsibility for property management is included under the Operations Division and the OAS Associate Director for the Operations Division is responsible for overseeing the administration of the Agency's property management program.

Within OAS, the Property Management Officer (PMO) is responsible for the overall management, coordination, and control of the Agency's property management program and reports to the Associate Director for the Operations Division. The PMO is responsible for establishing procedures necessary to track the acquisition, receipt, assignment, and disposition of accountable Agency property; maintaining accurate and reliable records; establishing custodial processes; and conducting physical inventories once every two years.

### **Others with Property Responsibilities**

Many of FCA's offices also designate a Property Custodian who is responsible for handling the transfer of accountable property within their respective office or organizational unit. The Property Custodian serves as the primary contact with the PMO, updates property records, and assists the PMO with physical property inventories and with annual property certifications for their respective office or organizational unit. Property Custodians also inform the PMO of accountable property purchased at the field office level.

Certain individuals within the Office of Information Technology (OIT) also have responsibilities for the property management process, including OIT personnel who are assigned inventory before

issuance to employees, are responsible for printers or computer servers, or that work on the OIT Helpline<sup>1</sup>.

Employees also play a crucial role in property management by ensuring that assets assigned to them are maintained, safeguarded, and used for official business. Employees are required to sign property assignment forms, arrange with the PMO or Property Custodian when assigned property needs to be reassigned, notify pertinent personnel when property is lost, stolen, or broken, and return property before departing from the Agency.

There are also additional, important responsibilities related to information technology (IT) assets. FCA's PPM 902, *Information Technology Security and Privacy Policy*, states the following, "All FCA employees must understand their role in protecting our IT assets in support of our mission, serving our customers, and protecting our employees and the public. We must remain diligent in preventing leaks or corruption of FCA information." Employees are required to sign a rules of behavior agreement that outlines employee responsibilities for protecting information and equipment. The following outlines some of the property-related points in the rules of behavior agreement:

- maintain physical control of my FCA laptop and mobile devices, and exercise due diligence to prevent loss and theft at all times;
- secure FCA-issued equipment from loss, theft, or damage, and use the equipment only in accordance with guidelines set forth by OIT;
- follow OIT guidance on the use of mobile devices and personal use of FCA IT equipment; and
- immediately report incidents that may involve the loss of, or unauthorized access to, data or information to the OIT Helpline. This includes reporting lost, damaged, stolen, or destroyed agency-issued devices or personal devices authorized to access sensitive FCA information. I will follow all instructions provided by OIT within the timeframes provided. In most cases the timeframe will be immediate.

### **Property Tracking**

FCA established the Property Management Tracking System (PMTS) as the official database used for tracking FCA property. It is FCA's policy that all accountable property will be recorded in PMTS upon receipt. Property is assigned in the system by the PMO or Property Custodian to those that have possession of, or are accountable for, the property. Each piece of property has a status and condition section in PMTS as well as other important information. FCA uses the following criteria to determine when property will be tracked in PMTS:

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<sup>1</sup> OIT Helpline is involved with property tracking and maintenance if employees are having issues with property that may need to be repaired or replaced. When property needs repairing, the assignment would need to be changed to whomever has possession of the property. In instances of replacing property, Helpline would need to notify the PMO or a Property Custodian to have the property reassigned.

- the property costs more than \$500 per unit;
- consideration of whether the property is a complete unit and does not lose its identity or become a permanent part of a separate unit; or
- it does not meet the above criteria, but is designated as accountable property by the PMO, with concurrence of the Chief Financial Officer.

### **Annual Certification of Assigned Property**

In addition, automated property forms are completed through an internal system that links to PMTS for assignments and certifications. Forms are initiated by the PMO or Property Custodian and sent for electronic signature to the assignee of the property. Property forms must be signed by employees when the property is originally assigned, reassigned, or the status of the property changes. Employees can view their assigned property in PMTS and must annually certify their property. The annual certification form shows:

- employee data;
- property assigned with bar codes, descriptions, serial numbers, and condition;
- a comment field from the property system; and,
- a section for employee notes.

During the certification process, employees certify that they have the property items listed on the form in their control. The certification form also states that all Agency employees with assigned assets are responsible for ensuring that the assets are maintained, safeguarded, and used for official purposes.

### **Inventory and Reconciliation of Accountable Property**

In addition to the annual certification process, an Agency-wide inventory of accountable property is conducted every other year. The physical inventory is completed by the PMO in coordination with Property Custodians across the Agency using PMTS and procedures implemented by the PMO. The PMO oversees the inventory process and coordinates a reconciliation of the inventory results.

### **Related Policies and Procedures**

The Agency's primary guidance on property management and related property accountability standards and responsibilities is set forth in Policies and Procedures Manual (PPM) 851, *Property Management Program Procedures*. PPM 851 states the property management program is implemented to ensure integrity, accuracy, and effective, timely accountability of property as it moves through its lifecycle.

Additional information on property can be found in PPM 834, *Employee Separation Clearance*, for property requirements with employee separations, and PPM 812, *Contracting/Procurement Policy*, for the acquisition process, which may involve property.

### **Prior OIG Reports Relating to Property Management**

The OIG issued a report in August 2012, *Information Technology Equipment Acquisition* (I-12-01), to determine whether the Agency's acquisition process for information technology property was being appropriately planned and administered. The inspection determined the acquisition process was effective in determining the best and most cost-effective information technology property needed for the Agency's operations; however, the inspection identified areas where improvements could be made to increase transparency, accountability, and efficiency. Management agreed with the four recommendations made, which related to the laptop evaluation and acquisition process. All recommendations were closed by September 2012.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

The objective of this inspection was to determine if FCA has implemented an adequate process to ensure accuracy in the property management system and adherence to internal policies and procedures.

### **Scope**

The inspection was conducted at FCA from June 2021 through December 2021. The scope of the inspection was limited to FCA property and information captured in PMTS. We limited our testing to certain areas as noted below in the methodology section.

### **Methodology**

We took the following steps to accomplish the objective:

- Identified and reviewed applicable laws, regulations, guidance, and other background information applicable to the objective.
- Identified and reviewed applicable internal FCA policies and procedures.
- Reviewed prior FCA-OIG and other external reviews related to the inspection objective.
- Interviewed selected OAS and OIT personnel responsible for property management and a Property Custodian.
- Reviewed materials for the new employee orientation for information on employee responsibilities relating to property.

### **Tests Performed**

- Requested and reviewed a listing of employee separations from the Agency from June 1, 2019 to May 31, 2021, and compared the listing to property information in PMTS. We

reviewed property assignments and documented any property assigned to the separated employees by number of pieces and type of property in PMTS.

- Reviewed a listing for all employees starting with the Agency from June 1, 2019 to May 31, 2021. We removed employees that also separated in the same period. We compared the listing to property assignments in PMTS by employee. We documented exceptions when employees did not have any property assigned or they had certain property, but no laptop assigned.
- Reviewed a listing of all working property as of July 2021 from OAS. We sampled older-model laptops by model type and compared the information to assignments in PMTS. We noted exceptions for employees assigned older model laptops and verified information with OAS. The sample was judgmental based on laptop model type and cannot be projected to the population.
- Reviewed disposal documentation for older laptops donated after the Agency's new laptop distribution in 2020. We analyzed four donations to various entities totaling 150 laptops. We sampled 30 of the laptops based on barcodes, entity donated to, and dates of donation. We reviewed assignment and status information in PMTS to verify donations were properly annotated. The sample was judgmental and cannot be projected to the population.
- Received a listing of all laptops sold to employees after the 2020 new laptop distribution, totaling 103 laptops. We sampled 19 laptops based on barcodes and employee office. We reviewed assignment and status information in PMTS to verify sales were properly annotated. The sample was judgmental and cannot be projected to the population.
- Exported a listing of all property classified as working from PMTS, as of August 2021. There were 2,261 pieces of property in PMTS classified as working, and we reviewed the listing for missing cost information and model and/or serial numbers. We also reviewed the information for pieces of property annotated with a disposal date. Because the sample was judgmental, it cannot be projected to the population.
- Sampled 11 laptops in the possession of a Property Custodian. The laptops were physically viewed at FCA headquarters in August 2021. The barcode for each laptop was recorded and then compared to assignment information in PMTS. Because of the COVID-19 pandemic, in-person testing in this area was limited. The sample was based on the physical location of the laptops and because it was judgmental, it cannot be projected to the population.
- Reviewed a listing from the Office of the Chief Financial Officer of FCA expenses categorized as noncapitalized equipment from October 1, 2020 to August 9, 2021. We sampled eight transactions based on amounts over \$500. We reviewed contract and purchase documentation for each transaction to determine if property was received from the purchase. One transaction contained property received and we searched PMTS for the item, which was not found. OAS personnel confirmed the piece of property was not entered into PMTS. Because the sample was judgmental, it cannot be projected to the population.

- Reviewed the 2019 annual property certification for completeness. The Agency did not perform the 2020 annual property certification; therefore, it was not reviewed.<sup>2</sup>
- Analyzed accesses to PMTS by employee and access level based on a report given to us by OIT. We confirmed access and proper levels of access with the PMO.
- Searched PMTS for assignments to the PMO to evaluate separation of duties and responsibilities relating to property management. Analyzed all assignments to the PMO and sorted property classified as accountable and working.

### **Quality Standards for Inspection and Evaluation**

This inspection was performed in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation. These standards require that we plan and perform the inspection to obtain sufficient and appropriate evidence that provides a reasonable basis for our findings, conclusions, and recommendations. We assessed internal controls and compliance with laws and regulations to the extent necessary to satisfy the objective. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our inspection. We assessed the information and data collected during the inspection and determined it was sufficiently reliable and valid for use in meeting the inspection objective. We assessed the risk of fraud related to our inspection objective while evaluating evidence and had no matters come to our attention indicating fraud or illegal acts were occurring; however, our review was limited to the inspection objective. Overall, we believe the evidence obtained is appropriate and sufficient to provide a reasonable basis for our findings and conclusions based on the inspection objective.

## **INSPECTION RESULTS**

During the inspection, we found that FCA implemented a process to track property and keep employees accountable and responsible for assigned property. FCA also has a disposal process for property no longer needed and has designated responsibility to various FCA personnel for roles in the property management process.

However, there are opportunities to improve the property management process and implement additional controls over the program to ensure accuracy and adherence to policies and procedures. Based on our testing, the property assignment process needs to be improved for new and separating employees. We also identified inconsistencies in the accuracy of PMTS entries and identified additional controls needed for the program.

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<sup>2</sup> The annual property certification was not performed in 2020 due to the fact that employees were working remotely during the COVID-19 pandemic and could not verify the property that remained in their offices.

## ***Property Assignments***

We found a number of inconsistencies in the property assignment process that undermined an essential part of the property lifecycle—accountability for who is in possession of and using the property.

### **New Employees**

When an employee is hired, OIT personnel, or the PMO, complete a property form to electronically route property assignments to employees as part of in-processing. Employees are notified and asked to certify that they have received the property. Generally, employees are assigned laptops and monitors, and certain employees are also assigned mobile devices and tablets.

To test the implementation of the assignment process, we requested a listing from Human Resources of all employees hired from June 1, 2019 to May 31, 2021. From the listing, there were 63 employees that were hired and remained at the Agency during this timeframe. When we reviewed the employees' property assignments in PMTS, the testing showed that 19 employees were not assigned a laptop in PMTS even though all new employees were given laptops to perform their jobs. The employees were either not assigned any property or had been assigned certain property, such as mobile devices and monitors.

Properly assigning property is important in order for employees to have accountability for items in their possession or control and to ensure the Agency knows who is using assets and where they are located and stored. When new employees do not sign for their property, it creates inaccuracies in the tracking system as those items remain incorrectly assigned to Property Custodians, the PMO, or OIT personnel.

### **Separated Employees**

When an employee leaves FCA, the Agency has established checkout procedures that include returning property before separating from the Agency. Property Custodians or the PMO must collect and confirm receipt of all property assigned to the employee, reassign property in PMTS, and sign-off on the employee's checkout form.

To test the implementation of the assignment process for separations, we requested a listing from Human Resources of all employees separated from June 1, 2019 to May 31, 2021. The separated employees' property assignments were reviewed in PMTS. The testing revealed that 8 of the 69 employees that left the Agency during the selected timeframe still had property assigned to them in the property management system.

## Separated Employees with Number and Types of Property Assigned

Employee	Date Separated	Number of Pieces of Property	Property Type
1	7/31/2019	3	Two monitors, broken computer
2	9/25/2019	12 <sup>3</sup>	Ten monitors, television, laptop
3	9/28/2019	1	Monitor
4	1/5/2020	1	Monitor
5	1/31/2020 <sup>4</sup>	2	Mobile device, laptop
6	2/1/2020	1	Tablet
7	8/14/2020	2	Two monitors
8	4/23/2021	1	Laptop

Property reassignments for separated employees are especially important for tracking assets. When the controls in place are properly working, an employee should not be able to complete their out-process without all property accounted for physically and in PMTS. Further, property that is not recovered should be identified as lost or stolen and must be reported to the proper personnel based on Agency guidance. Agency personnel stated some of the items on the listing were accounted for but had not been reassigned. Other property on the listing was unaccounted for and steps needed to be taken to properly classify such status in PMTS.

### **New Laptop Distribution**

There were also challenges regarding assignment information with the recent laptop changeover. FCA began a new laptop distribution process in fiscal year 2020. Employees were directed to turn in their old property the same day they received their new laptop. The laptop rollout was generally conducted in August and September 2020. The old laptops were returned to the headquarters offices, with laptops from field offices also shipped to headquarters. The old laptops should have

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<sup>3</sup> The employee was a Property Custodian for an office.

<sup>4</sup> This employee separated and returned multiple times during the timeframe reviewed.

been reassigned to remove them from employees' property assignments to those with possession of the old laptops.

In order to test whether old laptops were reassigned in PMTS, we reviewed a listing of all working property as of July 2021 from the PMO. The listing information was then compared to PMTS. The testing of assignments for new laptop distributions revealed that 51 old laptops were still assigned to employees who had returned them when they received their new laptops. Of the 51 old laptops identified, 20 were reassigned between July and August 2021, almost a year after the distribution process, and 31 old laptops needed to be reassigned in PMTS. As of September 2021, OAS personnel stated reassignments had been initiated for most of these old laptops, with a few reassignments still remaining.

Just as it is important for employees to sign for their property in a timely manner, it is equally important for the Agency to reassign old property returned by employees. Not reassigning property causes inaccuracies in PMTS as well as in the reconciliation of property inventories.

### **Donation and Purchasing of Old Laptops**

To the Agency's credit, we identified no exceptions in PMTS with status changes showing the donation and employee purchasing of old laptops. OAS and the Office of the Chief Financial Officer provided documentation showing FCA had donated, sold, or disposed of more than half of the old laptops. According to OAS documents, FCA donated 150 of the older-model laptops in 2021 to several entities. We reviewed the status of 30 of the 150 laptops in PMTS, and all 30 laptops were properly noted as donated. OAS also provided documentation showing 103 laptops that were purchased by employees. The status of 19 of the 103 laptops were reviewed in PMTS, and all of the laptops tested were properly classified.

### ***PMTS Accuracy***

We also identified opportunities for improvement in the accuracy of information tracked in PMTS. FCA's policy is that all accountable property will be recorded in PMTS upon receipt. Property details are entered in PMTS for each item. The following is a snapshot of how each piece of property is tracked in PMTS:

Exit Commit Retrieve Query Separated Employees Print Screen Print Setup

Viewing Record    
Total Records

Property Data for Bar Code:

Property Assigned to

Username

Off Div Bra Sec Unit Description

Duty Location Room # Phone #

Item Id Description Serial Number

Manufacturer Model Date Received Inventory Date

Status Condition Disposition Date

Comments

Cost Data (OMS-FT use only):

Purchase Order	Vendor Code	Fixed Asset (Y/N)	Date Paid	Cost	Depreciable Cost
<input type="text"/>					

Last Modified   
Last Modified by

### **PMTS Testing**

In order to test the accuracy of information, we exported a listing of property with a “working” condition from PMTS. At the time of testing,<sup>5</sup> there were 2,261 pieces of property in PMTS classified as working.<sup>6</sup> The testing of the working property revealed the following inaccuracies:

- 8 pieces of property were noted as working but had a disposal date. Property that is classified as working should not have a disposal date as that would indicate the property is no longer working.
- 505 pieces of property had no cost information, which is 22 percent of all property classified as working.
- 27 pieces of property had missing model or serial numbers, and some had both numbers missing.

<sup>5</sup> The information was pulled from PMTS on August 9, 2021.

<sup>6</sup> PMTS has multiple classifications of property for property status and condition. PMTS shows options for statuses as: Accountable, Defunct, Surplus, and Donation/Sale/Recycled. Condition options are: Sold, Disposed, Donated, Stolen, Replaced, Surplus, Broken, Working, Traded, Lost, Obsolete, and Spare.

In addition, the OIG tested whether PMTS accurately reflected the correct assignments for laptops possessed by a Property Custodian.<sup>7</sup> We tested 11 laptops in the possession of a Property Custodian to verify whether the laptops had been correctly assigned in PMTS. However, 8 of the 11 laptops were assigned to other people in PMTS, not the Property Custodian in possession of the laptops.

Because the PMTS drives the property assignment and inventory processes, it is imperative that information in the system is accurate. In addition, while all information in PMTS is important, cost information is one of the more important elements in PMTS for identifying and prioritizing risks related to the management of assets.

### **Expense Testing**

To test whether the Agency was properly adding purchased property in the PMTS, the OIG requested all fiscal year 2021 expenses through August 20, 2021, under the noncapitalized equipment budget code from the Office of the Chief Financial Officer. This code was specifically selected due to its likelihood of capturing property purchases.

During the period tested, 19 property purchases were listed in the selected budget code. We selected all transactions over the \$500 threshold set by the Agency that requires property to be placed in PMTS. In total, 8 of the 19 transactions met the threshold.

- The first two selections were purchases under contracts. Both of these purchases were not for physical property, but for licenses to continue to run or install software applications; therefore, no exceptions were noted for these transactions.
- For the other six transactions sampled, the expenses were charged to a government purchase card. Only one of them contained physical property over the \$500 threshold that was not in PMTS. The PMO stated the purchase was for a field office battery and the information was not communicated by the purchaser to the PMO in order to place the property in PMTS, as required.

While there was only one exception in the testing, the lack of communication on property acquired with a purchase card could lead to further inaccuracies in PMTS and noncompliance with internal policies and procedures.

### ***Other Property Management Processes***

Certain processes relating to the property management program need to be improved. We found that the Agency communicated policies, procedures, and requirements regarding property management to employees, including new employees. OAS also identified property management as a review element for its portion of the Management Control Plan. In addition, OAS tracked and

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<sup>7</sup> Due to the COVID-19 pandemic, in-person testing of laptops was limited.

completed internal reviews for the property management program. However, there were two processes that need strengthening as noted below: the PMO's property assignments and access to PMTS.

Additional separation of duties or controls are needed to ensure the accuracy of the PMO's property assignment tracking and inventory process. As of our review, the PMO had 1,281 property assignments in PMTS, with 337 of those classified as accountable, and 276 of those classified as accountable and working. In certain instances, such as property being prepared for donation, it may be necessary to assign property to the PMO in addition to the property needed to perform the job of the PMO. However, having such a large amount of property assigned to the PMO calls into question the control system in place because it is the PMO who also oversees the physical inventory of property and coordinates a reconciliation of the inventory. Property assigned to the PMO should be inventoried and reconciled by someone other than the PMO, and internal policies and procedures on the inventory process should include stronger internal checks and balances.

We also found that OAS needs to review accesses to PMTS. As of our review, 31 people<sup>8</sup> in the Agency had access to PMTS, 10 with read-only access and 21 with contribute access. Contribute access means the individuals are allowed to enter and change certain information in PMTS. Access to PMTS is granted to the PMO, Property Custodians, and those employees in OAS, OIT, and the Office of the Chief Financial Officer with property management responsibilities. Out of the 31 people with access to the PMTS, three individuals no longer had a need to access the system and one had a higher-level access than needed. In addition to these accesses that need to be resolved, a comprehensive review of PMTS accesses is needed to reconsider the large number of individuals with contribute access. Accountability for accurate property assignments and tracking may be undermined when 21 individuals have the ability to enter and change information in PMTS.

## **Root Causes**

We identified several root causes of the inconsistencies and inaccuracies identified during our inspection. By addressing the causes, the property management system, including accurately tracking Agency property, will be improved.

### **PPM 851**

PPM 851, *Property Management Program Procedures*, outlines the policies and procedures for the Agency's property management system but does not explain the detailed PMTS process on how to classify property or address property management processes that may differ in the field offices. The Agency implemented a revised PPM 851 in 2018 that established important information and processes. However, there are unclear references that may cause confusion about the application of federal property regulations to FCA, which would be a cornerstone for policies and procedures.

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<sup>8</sup> This includes one OIG person that gained read-only access to PMTS for this inspection.

PPM 851 provides, among its listed references, the Federal Property and Administrative Services Act of 1949, as amended, and the Federal Property Management Regulations System. While OAS received a legal review on the revisions to PPM 851, there are limitations on the applicability of these authorities to FCA that are not noted in the PPM. Specifically, 40 U.S.C. § 113 limits the applicability of these authorities with respect to, “an official or entity under the Farm Credit Act of 1971 (12 U.S.C. 2001 et seq.), with respect to the acquisition or disposal of property.” Therefore, given the limitation, the PPM 851 references could be misconstrued without specific guidance on what provisions of the property laws apply to FCA or what provisions the Agency follows as a matter of policy and practice.<sup>9</sup>

### **OAS Draft Procedures on Property Management**

OAS has drafted, but not yet implemented, internal procedures for the property management program. While the procedures will clarify the process and the use of the PMTS, certain gaps remain. The draft procedures do not always clarify the respective roles of the PMO and the Property Custodians, such as when and who will be responsible for making changes in PMTS. The draft procedures also do not set forth how property management procedures may differ for the field offices. In addition, as noted earlier, the draft procedures do not contain controls in place for property assigned to the PMO or ensure that entries in PMTS are complete and accurate. Finally, the draft procedures should comport to a revised PPM 851 that clearly delineates what property management laws apply to the Agency or are followed by the Agency as a matter of policy and practice.

### **Remote Working Environment**

The COVID-19 pandemic has caused unique issues to property management. OAS elected not to perform the annual certification process in 2020 due to the Agency’s remote working status. Personnel also stated that the COVID-19 pandemic and remote working environment changed how new employees were in-processed. The pandemic and the inability to work onsite also affected personnel’s ability to physically review old laptops when they were shipped back to headquarters.

### **Timing Issues**

There were also several issues with the timing of property assignments that affected the assignment process. Specifically, property assignments for new hires were made before the employee records for such hires had been created by Human Resources. Without the new employee records in place, property assignments were not being processed. OAS personnel stated several new actions have been created to assist with the process, including an alert to property

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<sup>9</sup> As an example of another PPM where the Agency has clarified what laws and regulations may not apply to FCA, PPM 812, *Contracting/Procurement Policy*, clarified that as a non-appropriated fund agency, FCA is not subject to the Office of Federal Procurement Policy Act or the Federal Acquisition Regulation.

personnel when new employee records are not in place to complete an action. However, these processes need to be documented to ensure that roles and responsibilities are clearly identified.

### **Lack of Follow-Up**

Property management personnel stated certain reassignments had been initiated in the system, but not completed by Agency personnel. While the PPM is clear on employee responsibilities for assignments, there are no procedures for when an employee does not complete required assignment or reassignment functions. OAS has not established processes that include timeframes on notifications to employees and supervisors if an employee is nonresponsive to required employee actions. For example, if an employee is nonresponsive to a property assignment form, the PMO could initiate contact within a certain number of days and involve the supervisor if it remains unresolved.

### **Additional Training**

Lastly, for those with certain property responsibilities, additional training may be needed to clarify roles and responsibilities. For example, purchase card holders may need refresher training to ensure purchases that meet the requirements are entered into PMTS. By providing training, OAS could educate and remind these individuals of the requirements.

### ***Impact***

The proper management of FCA property is important to ensure that employees have the tools they need to meet the Agency's mission, protect the investment in the property, and protect the security of assets that are used to process and potentially store nonpublic information. The recommendations set forth below are aimed at strengthening property management policies and procedures to clarify and specify property management roles and responsibilities; enhance the accuracy of property assignments, tracking, and inventory reconciliation; and provide training needed to ensure that all accountable property is documented in PMTS.

### ***Recommendations***

In order to enhance the property management program and ensure accuracy in the property management process:

1. The Office of Inspector General recommends the Office of Agency Services update Policies and Procedures Manual 851 to clarify the applicability of legal references and steps to be taken if employees are nonresponsive to property requirements.
2. The Office of Inspector General recommends the Office of Agency Services finalize the internal policies and procedures for the property management program.
3. The Office of Inspector General recommends the Office of Agency Services resolve property statuses of separated employees identified in the report.

4. The Office of Inspector General recommends the Office of Agency Services document controls to ensure new employees are assigned their property.
5. The Office of Inspector General recommends the Office of Agency Services resolve incorrect assignments and errors identified in the report.
6. The Office of Inspector General recommends the Office of Agency Services implement additional controls on the inventory process for, and property assigned to, the Property Management Officer.
7. The Office of Inspector General recommends the Office of Agency Services designate someone other than the Property Management Officer to inventory and reconcile property assigned to the Property Management Officer.
8. The Office of Inspector General recommends the Office of Agency Services issue guidance to purchase card holders on property thresholds and requirements.
9. The Office of Inspector General recommends the Office of Agency Services review the access listing to the Property Management Tracking System for inaccuracies and consider reviewing the number and level of accesses of all users to the system.

### **FCA Response**

FCA management agreed, or partially agreed, with the nine recommendations. Management will revise PPM 851. Management also stated implementing procedures will be included in the PPM that clarify roles and responsibilities, describe process controls, document controls on new employee assignments, and describe the new process for the PMO's inventory.

OAS resolved the property status issues for the eight separated employees identified in the report. Management stated the other errors identified in the report will be resolved and a report showing correct assignments and the resolution of the errors will be provided to the OIG. OAS also directed the Associate Director of Operations to serve as the reviewing official for all property assigned to the PMO. In addition, the OAS Administrative Assistant will serve as the Property Custodian for OAS and the Office of the Chief Financial Officer. Management also stated the Administrative Assistant has been trained, received required accesses, and assigned property.

OAS also worked in conjunction with the FCA Credit Card Program Coordinator to provide education to purchase cardholders on a new process in the requisition routing system to include an accountable assets field. The new process reminds cardholders that FCA is required to account for certain property purchased and notifies the PMO when the accountable property is purchased so it can be entered into PMTS. Specific instructions were given to cardholders for property over \$500 and a training video was also included in the communication. Lastly, OAS coordinated with OIT to update accesses to PMTS and provided an updated access list to the OIG.

Management estimated the remaining actions will be completed by January 2022.

## **OIG Response**

The OIG finds the actions responsive to our recommendations. Management agreed with recommendations 1, 3, 5, 6, 7, and 9. Although management only partially agreed with recommendations 2, 4, and 8, the actions completed or planned by OAS address the weaknesses found in our report and the corresponding recommendations. Further, due to the corrective actions implemented over the course of our inspection, we consider recommendations 3, 7, 8, and 9 closed.

Management comments can be found in the subsequent section of the report. The Agency waived an exit conference.

# MANAGEMENT COMMENTS

## Memorandum

1501 Farm Credit Drive  
McLean, Virginia 221025090  
(703) 883-4000



December 1, 2021

To: Sonya Ceme, AIG for Audits, Inspections, and Evaluations  
FCA Office of Inspector General

From: Vonda K. Bell, Director of the Office of Agency Services and  
Chief Human Capital Officer *Vonda K. Bell*

Subject: Office of Agency Services' Response to OIG's draft inspection report titled *The Farm Credit Administration's Property Management Program, I-21-03*

This memorandum responds to the draft audit report from the Office of the Inspector General, dated October 22, 2021, titled, *The Farm Credit Administration's Property Management Program, I-21-03*. The stated objective of the audit was "to determine if FCA has implemented an adequate process to ensure accuracy in the property management system and adherence to internal policies and procedures."

The draft audit report includes nine (9) recommendations to improve FCA's property management program. The Office of Agency Services (OAS) provides the following updates:

1. With respect to recommendations 1 and 2, Policy and Procedure Manual (PPM) 851, Property Management Program is being revised to clarify roles and procedures, including those of employees and supervisors. OAS is coordinating with the Office of General Counsel (OGC) on final revisions. A final update will be circulated for the Chairman's signature on or before January 31, 2022. (Reference OIG Recommendations 1 and 2.)
2. With respect to recommendation 3, the Property Management Officer (PMO) successfully coordinated with staff to resolve the identified property assignments and documentation has been uploaded to the OIG recommendations database.
3. With respect to OIG recommendation 4, property assignment forms were initiated for all 19 employees when the laptops were shipped. However, because the forms were completed before the employees onboarded with the agency, the electronic forms did not post to the database. This issue was resolved in summer 2021 by having the PMO defer initiation of the form until the employees were on the FCA's rolls. Additionally, a note will be included in the implementing procedures of PPM 851 to have the PMO confirm an employee is properly onboarded before initiating a property assignment form. Documentation has been provided to the OIG.
4. With respect to OIG recommendation 5:
  - a. The PMO incorrectly entered the inventory date in the property disposition date field. The PMO worked with OIT to have these entries corrected.
  - b. Of the 505 pieces of equipment without cost information, approximately 400 have been resolved by adding the cost information.

- c. Of the 27 pieces of property missing model and/or serial numbers, 21 have been resolved by adding the missing information.
5. With respect to OIG recommendation 6, the Associate Director for Operations, OAS was established as the reviewing official for all property assigned to the PMO. Additionally, the OAS/OCFO administrative assistant was established as the property custodian for OAS and OCFO. These assignments will reduce the inventory assigned to the PMO and ensure second-level review of PMO property assignments. These roles and responsibilities will be included in the implementing procedures of the revised PPM 851. Documentation of the assignments was provided to the OIG.
6. With respect to OIG recommendation 7, the Associate Director for Operations, OAS was assigned the responsibility of reviewing property assigned to the PMO and completed his initial review. The PMO's current inventory of assigned working and accountable property is approximately 253. While PMTS reflects 1,295 records and assignments to the PMO, only 253 are working and/or accountable property. The other records are maintained as part of the records retention and includes items that are sold, donated, and recycled. Documentation was provided to the OIG, and we consider this recommendation closed.
7. With respect to OIG recommendation 8, the charge card program is under the purview of the Chief Financial Officer (CFO). OAS developed language for use by the charge card program manager to alert charge card holders of their responsibilities when purchasing accountable property. Documentation was provided to the OIG, and we consider this recommendation closed.
8. With respect to OIG recommendation 9, OAS completed an update of database accesses to ensure all access levels were appropriate. Documentation was provided to the OIG, and we consider this recommendation closed.

In response to the recommendations and in consideration of the information above, OAS commits to:

1. Route revised PPM 851, Property Management for the Chairman's signature on or before January 31, 2022 (reference OIG recommendations 1, 2, 3, and 6).
2. Resolve all errors and missing information identified in the report on or before January 28, 2022 (reference OIG recommendations 4 and 5).

Thank you for the opportunity to respond to the OIG's findings and recommendations for the property management program. OAS is committed to responsive and continual process improvement, and we appreciate the OIG's thoughtful recommendations. Our organizational focus is ensuring we achieve the highest levels of customer satisfaction while adhering to all required legal, statutory, and regulatory requirements. We look forward to continuing to evolve our internal practices and procedures to model private and public sector best practices.

## ACRONYMS

Agency or FCA	Farm Credit Administration
IT	Information Technology
OAS	Office of Agency Services
OIG	Office of Inspector General
OIT	Office of Information Technology
PMO	Property Management Officer
PMTS	Property Management Tracking System
PPM	Policies and Procedures Manual
System	Farm Credit System
U.S.C.	United States Code



Farm Credit Administration  
Office of Inspector General

## **REPORT FRAUD, WASTE, ABUSE, & MISMANAGEMENT**

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**Mail: 1501 Farm Credit Drive  
McLean, VA 22102-5090**

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