

Farm Credit Administration Office of Inspector General



Semiannual Report to Congress

October 1, 2018 – March 31, 2019



FARM CREDIT ADMINISTRATION OFFICE OF INSPECTOR GENERAL



Farm Credit Administration
Office of Inspector General

SEMIANNUAL REPORT TO CONGRESS
OCTOBER 1, 2018 – MARCH 31, 2019

I am pleased to submit our Semiannual Report to Congress, summarizing the activities and accomplishments of the Farm Credit Administration (FCA or Agency) Office of Inspector General (OIG) for the period extending from October 1, 2018 through March 31, 2019.

This reporting period was an especially busy one for our office's audit, inspection, and evaluation functions. Highlights include an evaluation of FCA's compliance with the Federal Information Security Modernization Act, which assessed and made recommendations for improving the Agency's cybersecurity program, and a benchmarking study that compared the structure and organization of FCA's Office of Examination with similar functions at other federal financial regulatory agencies. We also concluded a series of physical security inspections at FCA offices, making several recommendations to strengthen controls at the Agency's McLean, Virginia headquarters, and oversaw an independent audit of FCA's annual financial statements. These and other oversight activities have delivered valuable independent and objective perspectives to FCA leadership, reflected in part by the Agency's acceptance of several OIG recommendations.

We also performed a peer review of the National Credit Union Administration (NCUA) OIG's audit function. We carried out this review in an expeditious fashion and enjoyed the full cooperation of the NCUA OIG staff.

On the investigative side, we continued to address in a timely and professional manner all complaints received, referring matters and undertaking investigations as appropriate. We concluded two preliminary investigations and one formal investigation during the reporting period.

We continued Agency outreach efforts, publishing two issues of our quarterly intra-agency newsletter, providing introductory briefings to new Agency hires, and hosting an open house to allow employees to meet OIG staff. I trust that these activities—which serve to educate FCA staff on the OIG's mission and authorities—will make employees more comfortable reaching out to the OIG when they become aware of potential fraud, waste, abuse, or mismanagement.

We also attended diligently to our duty to keep Congress fully and currently informed about FCA programs and operations, providing briefings to majority and minority staff from the Agency's Senate and House oversight committees.

The reporting period also saw our office participate extensively in the Inspector General (IG) community. I was honored to co-chair the 21st annual awards ceremony for the Council of the Inspectors General on Integrity and Efficiency (CIGIE) and participate as a mentor in CIGIE's inaugural Women in Leadership forum. OIG staff contributed to the work of multiple CIGIE committees and initiatives, including the implementation of new guidelines for inspection and evaluation peer reviews.

I am particularly pleased that our office was able to participate in the CIGIE Fellows Program, sending one of our auditors, Tori Kaufman, to the Peace Corps OIG to work on matters for the CIGIE Legislation Committee. She returned to our office with valuable

experience and insight into the legislative process. We were similarly fortunate to receive a fellow, Carlos Prieto, from the Defense Criminal Investigative Service. Mr. Prieto lent his expertise to all aspects of our investigative program, reviewing our investigative manual and files, drafting improvements to our internal policies and procedures, and improving upon our outreach efforts.

In December, we welcomed Kevin Miller as the Counsel to the Inspector General. Coming from the Office of Personnel Management OIG, he has already proven himself a valuable addition to our team.

Finally, I note that January 22nd marked the thirtieth anniversary of the FCA OIG's establishment. In recognition of this milestone, I would like to express my sincere gratitude to the many individuals who have served in the OIG over the past three decades for their excellent work in the provision of independent and objective oversight. In the coming months and years, we hope to emulate and build upon their dedicated service as we strive to improve FCA programs and operations.



Wendy R. Laguarda
Inspector General



ABBREVIATIONS

CIGIE	Council of the Inspectors General on Integrity and Efficiency
CFPB	Consumer Financial Protection Bureau
Farmer Mac	Federal Agricultural Mortgage Corporation
FCA or Agency System	Farm Credit Administration
FISMA	Farm Credit System
FLRA	Federal Information Security Modernization Act of 2014
FY	Federal Labor Relations Authority
HRK	Fiscal Year
IG	Harper, Rains, Knight & Company, P.A.
IG Act	Inspector General
IT	Inspector General Act of 1978, as amended
NCUA	Information Technology
OE	National Credit Union Administration
OIG	Office of Examination
OMB	Office of Inspector General
Pub. L.	Office of Management and Budget
SEC	Public Law
U.S.	U.S. Securities and Exchange Commission
	United States

TABLE OF CONTENTS

Message from the Inspector General.....	i
Abbreviations.....	iii
Table of Contents.....	iv
Background.....	1
Strategic Plan.....	3
Performance Measures.....	4
Audits, Inspections, and Evaluations.....	6
Investigations.....	10
Other Reports and Reviews.....	12
Reviews of Legislation and Regulations.....	13
Outreach and Collaboration.....	14
Appendix I: Peer Reviews.....	15
Appendix II: Reports Issued.....	17
Appendix III: Reports with Questioned Costs.....	18
Appendix IV: Reports with Funds For Better Use.....	19
Appendix V: Open Recommendations.....	20
Index of Reporting Requirements.....	22

The Farm Credit System

First established in 1916, the Farm Credit System (System) is a nationwide network of borrow-owned cooperative financial institutions and service organizations. A government-sponsored enterprise, the System is designed to better the income and well-being of farmers, ranchers, and rural America by providing a safe and reliable source of credit and related financial services.

As of the end of the reporting period, the System consisted of three farm credit banks, one agricultural credit bank, one federal land credit association and 68 agricultural credit associations that primarily make loans to agriculture in all 50 states and Puerto Rico, as well as five service corporations that provide administrative, technology-related, and other support services to certain System entities and eligible borrowers. The System raises funds by selling securities in the national and international money markets through the Federal Farm Credit Banks Funding Corporation.

The System also includes the Federal Agricultural Mortgage Corporation (Farmer Mac), a stockholder-owned, federally chartered instrumentality. Created in 1988, Farmer Mac provides a secondary market for agricultural real estate mortgage loans, rural housing loans, and rural utility cooperative loans. Farmer Mac is publicly traded and issues its own debt securities.

The Farm Credit Administration

FCA is the independent federal agency responsible for ensuring that the System remains a dependable source of credit for agriculture and rural America. Authorized by the Farm Credit Act of 1971, as amended, FCA ensures the safety and soundness of System institutions by issuing policies and regulations, and by regularly examining System institutions to assess compliance with applicable laws and regulations.

FCA is overseen by a three-person board, members of which are appointed by the President, with the advice and consent of the Senate. The Chairman of the Board—who is designated by the President and serves in that role until the end of his or her term—also serves as the Agency’s Chief Executive Officer.

At the end of the reporting period, FCA had approximately 300 full- and part-time employees distributed across five offices nationwide.

The Office of Inspector General

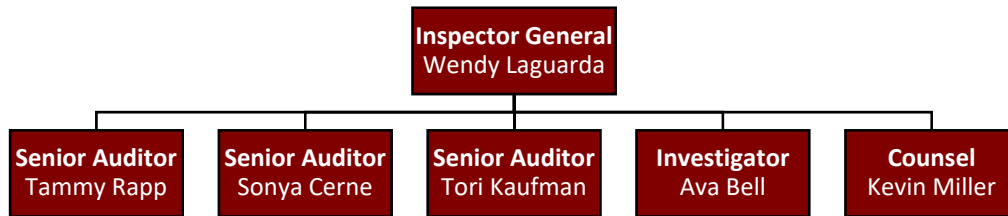
Established in January 1989, the OIG is charged with the task of providing independent and objective oversight of FCA programs and operations. It carries out this responsibility as authorized by and in accordance with the Inspector General Act of 1978, as amended (IG Act),¹ conducting and supervising audits, inspections, evaluations, and investigations; promoting economy and efficiency; preventing and detecting fraud, waste, and abuse; and

¹ 5 U.S.C. app.

keeping the FCA Board and Congress fully and currently informed about problems and deficiencies related to FCA.

Located within FCA, the OIG operates independently—outside the direction of Agency leadership. While the IG is appointed by and serves under the general supervision of the FCA Board, neither the Board nor any other Agency official may prevent or prohibit the IG from carrying out an oversight activity that the IG determines to be necessary or appropriate. The IG also exercises discretion in OIG employment and contracting decisions, further safeguarding the office’s independent status. This independence is necessary to ensure that OIG products meet the highest standards of objectivity and credibility.

The OIG is led by Wendy Laguarda, who has served as the IG since August 2017. The IG supervises a staff of five, consisting of three auditors, one investigator, and one counsel, as set forth in the organizational chart below.



The Council of the Inspectors General on Integrity and Efficiency

The FCA IG also serves, by virtue of her position, as a member of CIGIE. Composed of the federal Inspectors General and certain other federal officials, CIGIE was established to address cross-agency issues of integrity, economy, and effectiveness and to improve the professionalism and effectiveness of OIG personnel. OIG staff regularly participate on CIGIE committees and initiatives, as discussed in this report.

Below are outlined the mission, vision, values, and goals that inform the OIG's oversight of FCA. Please see the [OIG's Strategic Plan for Fiscal Years \(FYs\) 2018 and 2019](#) to learn more.

Our Mission

The OIG's independent eyes, ears, and voice serve to protect, inform, and advance Agency programs and operations.

Our Vision

Harvesting Change

Our Values

Relevant, Respectful, Trustworthy, and Objective

Our Goals

- 1) Detect and Deter Fraud, Waste, and Abuse
- 2) Investigate and Protect Against Wrongdoing
- 3) Promote Quality and Value
- 4) Advance FCA's Future

The [OIG's Strategic Plan for FYs 2018 and 2019](#) sets forth several qualitative measures against which the OIG assesses its performance. The following describes some of the OIG's actions during the reporting period that were relevant to those performance measures. Additional information can be found in the OIG's [Performance Report for FY 2018](#).

Efficiencies have been gained with the addition of video conferencing capabilities in our office, allowing easier communication with employees in FCA field offices.

Completion time of OIG work assignments has been appropriate based on the complexity or unique nature of each assignment. Most of our audit, inspection, and evaluation reports are completed within six months or less. The one report of investigation we issued during this reporting period was completed within five weeks of the initial complaint.

Of the 12 audit, inspection, and evaluation recommendations made during this reporting period, all but one were accepted.

Complaints activity during the reporting period continued to reflect employee confidence in OIG's ability to investigate wrongdoing and guard confidentiality.

Interaction with Congress remains strong, as the IG met with majority and minority staff from FCA's Senate and House oversight committees during this reporting period and responded expediently to resulting follow-up questions.

Communication with the FCA Board and management is an ongoing priority of our office. During this reporting period, we held two quarterly briefings with each board member, and provided individual briefings, upon request, on our audit, inspection, and evaluation products. We also solicited input from board members and management regarding issues facing the Agency so as to inform our oversight plans.

Aligning audit planning with FCA's top management and performance challenges is important to ensure that our work is risk-based and addresses the most significant challenges in the Agency. Each audit, inspection, and evaluation summary in this document refers to the management challenge addressed in the report.

Outreach efforts during the reporting period included two quarterly issues of the *dIG*, the OIG's intra-FCA newsletter and an open house that welcomed all FCA employees to familiarize themselves with OIG staff.

Participation in CIGIE is integral to everyone's job in the OIG, and staff members are actively involved with various CIGIE committees and initiatives. During this reporting period, one of our senior auditors was an impactful member of the Inspection and Evaluation Peer Review Implementation Team. Another senior auditor served as a CIGIE Fellow with the Peace Corps OIG, working on CIGIE Legislation Committee activities. The IG co-hosted the annual CIGIE awards ceremony and participated as a mentor in CIGIE's first Women in Leadership Forum.

Training taken during this reporting period covered a range of subjects pertinent to the OIG's mission, including audits, investigations, legal issues, and information

technology (IT). Regular training ensures that OIG personnel are well-equipped to deliver credible oversight products and allows OIG staff to pursue career development opportunities.

Diversity of OIG staff when hiring opportunities arise is a goal in our office. Our office strives to enhance diversity during hiring and support the Agency's strategic objective to embrace diversity and inclusion.

The OIG regularly conducts and supervises audits, inspections, and evaluations of FCA programs and operations. In so doing, OIG personnel endeavor to provide timely, credible, and relevant information to Agency leadership, Congress, other stakeholders, and the general public. All OIG audits are performed in accordance with generally accepted government auditing standards issued by the U.S. Government Accountability Office (GAO), while inspections and evaluations adhere to the CIGIE *Quality Standards for Inspection and Evaluation*.

In planning its audits, inspections, and evaluations, the OIG employs a risk-based approach that accounts for prior oversight work, the control environment, input from the FCA Board and senior management, and statutory requirements. For more information, and to learn about future OIG work, please see the [Audit, Inspection, and Evaluation Plan for FYs 2019 and 2020](#).

Audit, evaluation, and inspection reports may be found on the [OIG's website](#) within three days of issuance to the FCA Board. To receive a notification when a new report is published, please [subscribe](#) to the OIG mailing list. Additionally, reports are posted on [Oversight.gov](#). Launched by CIGIE in October 2017, Oversight.gov is a “one-stop shop” to follow the oversight work of federal inspectors general. Oversight.gov allows users to sort, search, and filter the site’s database to find reports of interest. Users can receive notifications when new reports are added to the site by following CIGIE’s Twitter account, [@OversightGov](#).

Summaries of reports issued

The OIG issued four reports and made twelve recommendations for corrective action during the reporting period. The reports issued are summarized below.

Physical Security in the Farm Credit Administration's Headquarters I-18-04

Physical security controls safeguard employees and assets, and thus represent a paramount concern for any federal agency—one inextricably related to two [top management challenges](#) facing FCA: human capital and IT. Complicating matters, one-size-fits-all solutions may be difficult to implement in different offices with unique challenges. Cognizant of these issues, the OIG conducted a round of inspections to assess the effectiveness of physical security controls in the five FCA office locations, beginning with a review of the Denver, Colorado field office in 2017.

This reporting period, the OIG concluded this series of reviews with an inspection of physical security controls at FCA’s McLean, Virginia headquarters building and Emergency Operations Center. Our review focused on controls related to physical access, computers and other equipment, emergency preparedness, and personnel records. To test these controls, OIG staff performed walkthroughs and surveyed select employees.

The OIG found the controls in place to be generally effective. Nevertheless, OIG inspectors identified several opportunities to further improve physical security at FCA

headquarters. The OIG made seven recommendations for corrective action. FCA concurred with six recommendations. The agency disagreed with one recommendation concerning physical access controls.

The inspection report was issued to the FCA Board on December 7, 2018. To avoid the disclosure of potential vulnerabilities, a [summary report](#) was published on the OIG's website.

2018 Evaluation of the Farm Credit Administration's Compliance with the Federal Information Security Modernization Act E-18-03

In its April 2018 report on [Top Management and Performance Challenges Facing Multiple Federal Agencies](#), CIGIE recognized safeguarding IT assets against both external and internal threats and maintaining a mission-suitable IT infrastructure as longstanding and important government-wide challenges. FCA is no exception; for the past decade, the OIG has considered IT—specifically, leveraging IT investments while maintaining a secure environment—to be a [top management challenge](#) facing the Agency. The Federal Information Security Modernization Act of 2014 (FISMA)² affords the OIG an opportunity to annually assess FCA's progress in meeting this ever-evolving challenge.

FISMA requires OIGs to annually evaluate their respective agency's information security program and practices. In accordance with guidance developed by OMB and the Department of Homeland Security, the OIG assessed FCA's overall performance with respect to eight domains: risk management, configuration management, identity and access management, security training, information security continuous monitoring, incident response, contingency planning, and—new for FY 2018—data protection and privacy. With respect to each domain, the OIG ranked FCA's effectiveness according to a 5-level maturity scale ranging from ad-hoc to optimized.

Overall, the OIG found that FCA's information security program is effective and provides reasonable assurance of adequate security. The OIG further found that FCA continues to make positive strides in addressing information security weaknesses. The OIG made five recommendations for corrective action, all of which the Agency concurred with.

The [evaluation report](#) was issued to the FCA Board on October 31, 2018.

Farm Credit Administration's Office of Examination Structure and Organization Benchmarking Evaluation E-18-02

FCA's Office of Examination (OE) is responsible for examining and supervising System institutions in accordance with the Farm Credit Act and applicable regulation. As FCA's largest office, OE accounts for over half of FCA's personnel. OE helps ensure that System institutions operate safely and soundly, comply with relevant law, and provide a dependable source of credit for agriculture and rural America. The OIG has long

² Pub. L. 113-283, (Dec. 18, 2014)

considered this examination and supervision function and the maintenance of a well-trained, sustainable workforce to be [top management challenges](#) facing the Agency.

The objective of this evaluation was to compare FCA's examiner career structure and organization within OE to those of other federal financial regulators. The OIG conducted a survey of six agencies: the Consumer Financial Protection Bureau (CFPB), Federal Deposit Insurance Corporation, Board of Governors of the Federal Reserve System, NCUA, Office of the Comptroller of the Currency, and U.S. Securities and Exchange Commission. The survey included questions as to the number of employees performing examination duties and their respective locations, each agency's approach to locating and organizing staff, the number of employees hired in FY 2017, the ratio of supervisors to examiners, the number of institutions examined on an annual basis, whether examiners are co-located with their supervisors, and the use of resident examiners (located on the premises of the reviewed institution).

The study found significant variation among the surveyed agencies with respect to size, location, and—especially—career structure and organization. Of note, examination staff at two of the smaller agencies, NCUA and CFPB, work remotely full-time. The survey also found considerable similarities among the agencies, including the ratio of examiners to supervisors, co-location of examiners with supervisors, and use of resident examiners (or lack thereof).

While the OIG issued no recommendations for corrective action, the report highlighted various considerations for FCA to explore, including the use of full-time remote staff and consolidation of offices to achieve higher examiner-to-supervisor ratios.

The [evaluation report](#) was issued to the FCA Board on March 20, 2019.

Audit of FCA's Financial Statements Fiscal Year 2018 A-18-FS

Under the Accountability of Tax Dollars Act of 2002,³ FCA is required each fiscal year to submit audited financial statements to Congress and OMB. The OIG engaged an independent public accounting firm, Harper, Rains, Knight & Company, P.A. (HRK), to audit FCA's financial statements for FY 2018. The OIG monitored the work of HRK to ensure compliance with generally accepted government auditing standards and U.S. Office of Management and Budget (OMB) Bulletin 19-01, *Audit Requirements for Federal Financial Statements*.

HRK concluded its audit in November 2018, issuing an unmodified opinion signifying that the financial statements reviewed present fairly, in all material respects, FCA's financial position, net cost of operations, changes in net position, and budgetary resources, in accordance with generally accepted accounting principles.

The HRK auditors considered FCA's internal control over financial reporting to determine the audit procedures for the purpose of expressing an opinion on the

³ Pub. L. 107-289 (Nov. 7, 2002)

financial statements. The auditors did not express an opinion on the effectiveness of those internal controls; however, they did not identify any deficiencies considered to be a material weakness.

Additionally, HRK auditors performed tests of FCA's compliance with selected provisions of laws and regulations that would have a direct and material effect on the financial statements. While they did not express an opinion on compliance with those provisions, they did not identify any instances of noncompliance or other matters required to be reported under generally accepted government auditing standards or relevant OMB guidance.

The [audit report](#) was issued to the FCA Board on November 15, 2018.

In Progress

Below are the audits, inspections, and evaluations in progress at the end of the reporting period.

FCA's Stress Testing Guidance and Use of Data and Analytical and Examination Tools

Stress testing is a risk management tool used by financial institutions to plan for potential adverse events that could impact their financial condition. The objective of this audit is to evaluate FCA's progress in updating stress testing guidance and related data, and analytical and examination tools.

The OIG has broad discretion to carry out such investigations related to FCA programs and operations as the IG determines to be necessary or desirable. The range of matters falling within the OIG’s investigative purview is expansive, encompassing potential violations of law, rules, or regulations; mismanagement; abuses of authority; and more.

Investigative activities may be initiated upon allegations or referrals received from a variety of sources, including—but not limited to—FCA employees or contractors, congressional committees, System institutions, or members of the public. The OIG may also investigate potential waste, fraud, and abuse identified through OIG audits, inspections, or evaluations, or through proactive investigative projects.

The OIG maintains a hotline that allows FCA employees and others to confidentially report potential fraud, waste, abuse, or mismanagement via telephone, email, or facsimile at any time. The office also welcomes complaints by mail and in-person.

In exercising its investigative authorities, the OIG endeavors to produce work products that are timely, clear, and credible, and to guard the identities of those who provide information to the OIG. All investigations are carried out in accordance with the CIGIE [Quality Standards for Investigations](#). Closing memoranda for investigations are available on the [OIG’s online reports page](#).

The table below summarizes major investigative activity during the reporting period.

Metric	Number
Investigative reports issued ⁴	1
Persons referred to the Department of Justice for criminal prosecution	0
Persons referred to State and local prosecuting authorities for criminal prosecution	0
Indictments and criminal informations that resulted from any prior referral to prosecuting authorities	0

Complaint Activity

The following table shows the action taken by the OIG in response to complaints received during the reporting period. There were no complaints pending as of the end of March 31, 2019.

⁴ Reports of investigation resulting from a formal investigation. Does not include memoranda memorializing the referral of complaints or closure of preliminary investigations.

Action Taken	Number
Formal investigation opened	1
Closed after preliminary investigation	2
Referred within FCA, involving borrower complaints or allegations of loan fraud	3
Referred to other federal agencies, involving matters outside of FCA OIG jurisdiction	8
Total	14

Summaries of Investigations

Following are summaries of formal investigations concluded during the reporting period.

Investigation #19-01

In November 2018, the OIG received a complaint alleging that an employee's first- and second-line supervisors, the latter of whom was a senior government employee, attempted to coerce the employee into signing the employee's performance evaluation.

The OIG completed its investigative fieldwork on December 21, 2018 and issued a report of investigation to Agency management on December 31, 2018. Management responded on January 15, 2019, indicating that the supervisors concerned would receive instruction as to the appropriate procedures to follow when an employee chooses not to sign his or her performance evaluation.

The OIG closed the investigation on January 24, 2019 and published a [closing memorandum](#).

Investigations Involving Senior Government Employees

This reporting period, the OIG closed two preliminary investigations involving senior government employees that were not disclosed to the public. They are summarized below.

In December 2018, the OIG received information indicating that multiple senior government employees were serving as Combined Federal Campaign keyworkers, notwithstanding their roles as supervisors. Shortly after the OIG began its preliminary investigation, the supervisory employees were replaced with non-supervisors for the duration of the campaign.

In February 2019, the OIG received allegations of unprofessional conduct in FCA's interaction with the complainant, who had contacted FCA with an inquiry. A preliminary investigation did not substantiate the allegation, and the OIG closed its inquiry on March 5, 2019.

The OIG periodically conducts reviews that do not fit the description of an audit, inspection, evaluation, or investigation. These projects are typically undertaken in accordance with a statutory requirement, for quality assurance purposes, or to otherwise provide comprehensive oversight of FCA programs and operations. Below are summaries of certain such reviews that were completed during the reporting period.

Survey of Farm Credit System Institutions Regarding the Agency’s Examination Function

Each quarter, the OIG surveys recently examined System institutions regarding the quality and consistency of FCA’s examination function. Survey questions seek the institution’s views on several matters ranging from the appropriateness of the examination’s scope and the examiners’ conduct to the helpfulness of any recommendations or required actions. The survey employs a numerical rating system and allows for institutions to provide narrative responses. The OIG collects, aggregates, and anonymizes survey responses for distribution to the FCA Board and Chief Examiner.

The OIG issued [one survey report](#) on January 31, 2019, detailing responses from System institutions examined during the fourth quarter of FY 2018. The report also provided cumulative survey data for FY 2018. Generally, survey responses indicated that the System has a positive view of FCA’s examination program and staff.

2019 Risk Assessment of the Farm Credit Administration’s Charge Card Program

Pursuant to the Government Charge Card Abuse Prevention Act of 2012,⁵ and in accordance with implementing OMB guidance, the OIG annually conducts a risk assessment of FCA charge card programs to analyze the risk of illegal, improper, or erroneous purchases.

The OIG’s 2019 assessment focused on oversight and control of the purchase card program, the travel card program, and the use of a centrally billed account. The OIG concluded that the overall risk of FCA’s charge card programs was low based on the calculated risks’ impact and likelihood.

A copy of the assessment was issued to FCA’s Office of Agency Services on March 1, 2019.

⁵ Pub. L. 112-194 (Oct. 5, 2012).

REVIEWS OF LEGISLATION AND REGULATIONS

Pursuant to the IG Act, the OIG reviews existing and proposed legislation and regulations relating to FCA programs and operations. When appropriate, the OIG makes recommendations regarding the impact of such legislation or regulations on economy or efficiency or the prevention and detection of fraud and abuse.

During the reporting period, the OIG reviewed several bills and proposed regulations, including H.R. 135, the Federal Employee Antidiscrimination Act of 2019, and H.R. 1847, the Inspector General Protection Act. The OIG provided comments on proposed and existing legislation through the CIGIE Legislation Committee.

FCA Employees

The cooperation of FCA employees is essential to all aspects of OIG oversight. Accordingly, the OIG has several ongoing initiatives geared toward educating FCA employees on the OIG’s mission and authorities. For example, the OIG publishes a quarterly intra-agency newsletter, the *dIG*, which spotlights the office’s functions and provides recent examples of OIG oversight products government-wide. This reporting period, the OIG also participated in new employee training for FCA employees and hosted an open house to better acquaint existing staff with OIG personnel.

Congress

In the interest of fulfilling its responsibility to keep Congress fully and currently informed regarding problems and deficiencies relating to FCA programs and operations, the OIG endeavors to respond expeditiously to all congressional requests and to periodically brief oversight committees as to recent OIG activity. During the reporting period, the IG provided briefings on OIG activities to majority and minority staff from both the Senate Committee on Agriculture, Nutrition, and Forestry and the House Committee on Agriculture.

IG Community

The OIG is an active member of the IG community, with staff lending their efforts and expertise to the work of various CIGIE committees and initiatives, as well as to the CIGIE Training Institute. This reporting period was no exception.

The IG co-chaired CIGIE’s 21st Annual Awards Ceremony in October, and throughout the six-month reporting period served as a member of CIGIE’s Legislation Committee, which fosters relationships with Congress, represents the IG community’s interests on legislative initiatives and keeps OIGs apprised of pertinent legislative developments. In March, the IG served as a mentor at CIGIE’s first Women in Leadership Forum.

This reporting period, OIG staff also participated in the CIGIE’s Inspection and Evaluation roundtable (informing the implementation of new peer review reporting guidance); the CIGIE Audit Committee; and the Council of Counsels to the Inspectors General.

Of note, the OIG took part in the CIGIE Fellows Program. Designed to broaden the perspectives of high-potential OIG personnel and prepare them for future challenges, the Fellows Program allows employees to partake in a six-month rotation at another OIG. The OIG was fortunate to contribute and receive a fellow. The OIG sent Senior Auditor Tori Kaufman to the Peace Corps OIG, where she worked with the CIGIE Legislation Committee. The OIG received Carlos Prieto from the Defense Criminal Investigative Service. Mr. Prieto’s experience was especially beneficial to the OIG’s investigative program.

To ensure adherence with relevant professional standards, each OIG is subject to periodic external peer reviews. Information regarding peer reviews conducted by and of the FCA OIG is provided below.

Reports of external peer reviews of FCA OIG operations may be found on [our website](#). Reports of peer reviews conducted by our office may be located on the websites of the reviewed OIGs.

Audit

Generally accepted government auditing standards require any organization conducting audits in accordance with those standards to undergo an external peer review at least once every three years. These peer reviews may conclude in a rating of *pass*, *pass with deficiencies*, or *fail*. A rating of *pass* signifies that the audit organization's system of quality control has been suitably designed and complied with to provide the organization with reasonable assurance of performing and reporting in conformity with applicable professional standards and legal and regulatory requirements in all material respects.

The FCA OIG did not receive an external peer review of its audit function during the reporting period. The next peer review of our audit organization is scheduled to begin later this year.

The most recent peer review of the OIG was completed by the Federal Labor Relations Authority (FLRA) OIG in August 2016, and covered the three-year period ending March 31, 2016. We received a rating of *pass*, and the FLRA OIG made no recommendations for corrective action.

On January 24, 2019, the OIG concluded a peer review of the audit organization of the NCUA OIG. The NCUA OIG received a rating of *pass*, and our office made no recommendations for corrective action.

Inspection and Evaluation

Under guidance adopted by CIGIE in January 2017, each OIG performing inspections or evaluations in accordance with the CIGIE *Quality Standards for Inspection and Evaluation* is required to undergo an external peer review every three years. During the first three-year cycle, peer review reports will not include an overall rating (e.g., *pass*, *fail*, *compliant*, or *non-compliant*), but will include a conclusion as to whether the reviewed OIG adhered to CIGIE standards and the OIG's internal policies and procedures for inspection and evaluation work.

The first peer review of our inspection and evaluation function is scheduled to begin later this year.

The FCA OIG did not conduct any inspection and evaluation peer reviews during the reporting period.

Investigation

CIGIE's *Qualitative Assessment Review Guidelines for Investigative Operations of Federal Offices of Inspector General* establish an independent external evaluation process for investigative operations. The objective of an investigative peer review is to determine whether internal control systems are in place and operating effectively to provide reasonable assurance that an OIG's investigative operations comply with CIGIE's *Quality Standards for Investigations*. Reviewed OIGs are assessed a rating of *compliant* or *noncompliant*. While the guidelines do not mandate that OIGs without statutory law enforcement authority—like the FCA OIG—undergo investigative peer reviews, they encourage voluntary participation.

The FCA OIG did not undergo an investigative peer review during the reporting period. We have volunteered to receive a peer review of our investigation function within the next few years.

The most recent peer review of the FCA OIG's investigative program was performed by the SEC OIG for the one-year period ending September 30, 2007. The SEC OIG concluded that our system of internal safeguards and management procedures for the investigative function were in full compliance with then-applicable quality standards and provided reasonable assurance of conforming with professional standards in the conduct of investigations. Although the SEC OIG made no formal recommendations, they made suggestions for improvements to our investigation practices and procedures.

The FCA OIG did not conduct any investigative peer reviews during the reporting period.

Outstanding Recommendations

There are no outstanding recommendations from any peer review conducted by another OIG that have not been fully implemented.

There are no recommendations from any peer review conducted by the FCA OIG that remain outstanding or that have not been fully implemented.

APPENDIX II: REPORTS ISSUED

Below is a list of all audit, inspection, and evaluation reports issued during the reporting period.

Report Title	Date	Recommendations
OIG 2018 Evaluation of the Farm Credit Administration's Compliance with the Federal Information Security Modernization Act	Oct. 31, 2018	5
Farm Credit Administration's Office of Examination Structure and Organization Benchmarking Evaluation	Mar. 20, 2019	0
Physical Security in the Farm Credit Administration's Headquarters	Dec. 7, 2018	7
Audit of the Farm Credit Administration's Financial Statements Fiscal Year 2018	Nov. 15, 2018	0
Total:		12

APPENDIX III: REPORTS WITH QUESTIONED COSTS

The table below shows the number of audit, inspection, and evaluation reports issued and the total dollar value of questioned costs associated with those reports.

Requirement	#	Questioned Costs	Unsupported Costs
(A) Reports for which no management decision had been made by the commencement of the reporting period	0	\$0	\$0
(B) Reports issued during the reporting period	4	\$0	\$0
Subtotal (A+B)	4	\$0	\$0
(C) Reports for which a management decision was made during the reporting period, including—	4	\$0	\$0
(i) the dollar value of recommendations that were agreed to by management		\$0	\$0
(ii) the dollar value of recommendations that were not agreed to by management		\$0	\$0
(D) Reports for which no management decision has been made by the end of the reporting period;	0	\$0	\$0

APPENDIX IV: REPORTS WITH FUNDS FOR BETTER USE

The table below shows the number of audit, inspection, and evaluation reports issued with recommendations that funds be put to better use.

Requirement	#	Unsupported Costs
(A) Reports for which no management decision had been made by the commencement of the reporting period	0	\$0
(B) Reports issued during the reporting period	0	\$0
Subtotal (A+B)	0	\$0
(C) Reports for which a management decision was made during the reporting period, including—	0	\$0
(i) the dollar value of recommendations that were agreed to by management		\$0
(ii) the dollar value of recommendations that were not agreed to by management		\$0
(D) Reports for which no management decision has been made by the end of the reporting period;	0	\$0

APPENDIX V: OPEN RECOMMENDATIONS

The table below includes summary information regarding audit, inspection, and evaluation reports issued before the commencement of the reporting period for which there are outstanding unimplemented recommendations. There were no reports issued before the commencement of the reporting period for which no management decisions had been made by the end of the reporting period or no comment was returned within 60 days.

Report and Date Issued	Recommendations		
	Open	Total	Cost Savings
OIG 2017 Evaluation of the Farm Credit Administration's Compliance with the Federal Information Security Modernization Act Oct. 27, 2017	2	4	\$0
OIG 2018 Evaluation of the Farm Credit Administration's Compliance with the Federal Information Security Modernization Act Oct. 31, 2018	4	5	\$0
Total:	6	9	\$0

The table below identifies recommendations made during previous reporting periods for which corrective action has not been completed as of March 31, 2019.

Report and Date Issued	#	Recommendation Description
OIG 2017 Evaluation of the Farm Credit Administration's Compliance with the Federal Information Security Modernization Act Oct. 27, 2017	1	To OIT (not released publicly) ⁶
	2	To OIT (not released publicly)

⁶ Information withheld from public disclosure pursuant to 44 U.S.C. § 3555(f).

Report and Date Issued	#	Recommendation Description
OIG 2018 Evaluation of the Farm Credit Administration's Compliance with the Federal Information Security Modernization Act Oct. 31, 2018	2	OIT needs to develop and disseminate a privacy program with related plans, policies, and procedures for the protection of PII and other sensitive data collected, used, maintained, shared, and disposed of by information systems. The resources, roles, and responsibilities needed to implement the privacy program must be determined.
	3	OIT needs to develop and communicate policies and procedures that identify the inventory of PII and other sensitive data collected, used, and maintained that require increased protection.
	4	OIT needs to formalize policies and procedures for: <ul style="list-style-type: none"> • Encryption of data at rest • Encryption of data in transit • Limitation of transfer to removable media • Sanitization of digital media prior to disposal or reuse
	5	OIT needs to develop policies and procedures related to preventing data exfiltration.

INDEX OF REPORTING REQUIREMENTS

The table below is an index to IG Act reporting requirements. There were no contract audit reports issued during the reporting period that would be reportable under section 845 of the National Defense Authorization Act of 2008.⁷

Section	Description	Page
4(a)(2)	Review of legislation and regulations	13
5(a)(1)	Significant problems, abuses, and deficiencies	N/A
5(a)(2)	Recommendations for corrective action	6-8
5(a)(3)	Previous recommendations for which corrective action has not been completed	20-21
5(a)(4)	Matters referred to prosecutive authorities	N/A
5(a)(5)	Reports of information or assistance unreasonably refused or not provided	N/A
5(a)(6)	Audit, inspection, and evaluation reports issued	17
5(a)(7)	Summaries of significant reports	6-9
5(a)(8)	Management decisions with respect to questioned costs	18
5(a)(9)	Management decisions on recommendations that funds be put to better use	19
5(a)(10)	Reports issued before the reporting period for which no management decision has been made, for which no comment was returned, and for which there are outstanding unimplemented recommendations	20
5(a)(11)	Significant revised management decisions	N/A
5(a)(12)	Significant management decisions with which the IG disagrees	7
5(a)(13)	Compliance of Agency financial management system	N/A
5(a)(14)-(15)	Peer reviews conducted by another OIG	15-16
5(a)(16)	Peer reviews conducted by the FCA OIG	15-16
5(a)(17)	Statistical tables for investigations and referrals	10
5(a)(18)	Metrics for developing investigative statistics	10
5(a)(19)	Investigations involving a senior government employee where allegations of misconduct were substantiated	N/A
5(a)(20)	Instances of whistleblower retaliation	N/A
5(a)(21)	Attempts to interfere with OIG independence	N/A
5(a)(22)(A)	Closed audits, inspections, and evaluations not disclosed to the public	N/A
5(a)(22)(B)	Closed investigations involving a senior government employee not disclosed to the public	11

⁷ Pub. L. 110-181 (Jan. 28, 2008)



REPORT FRAUD, WASTE, ABUSE, & MISMANAGEMENT:

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Email: fca-ig-hotline@rcn.com

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McLean, VA 22102-5090**

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