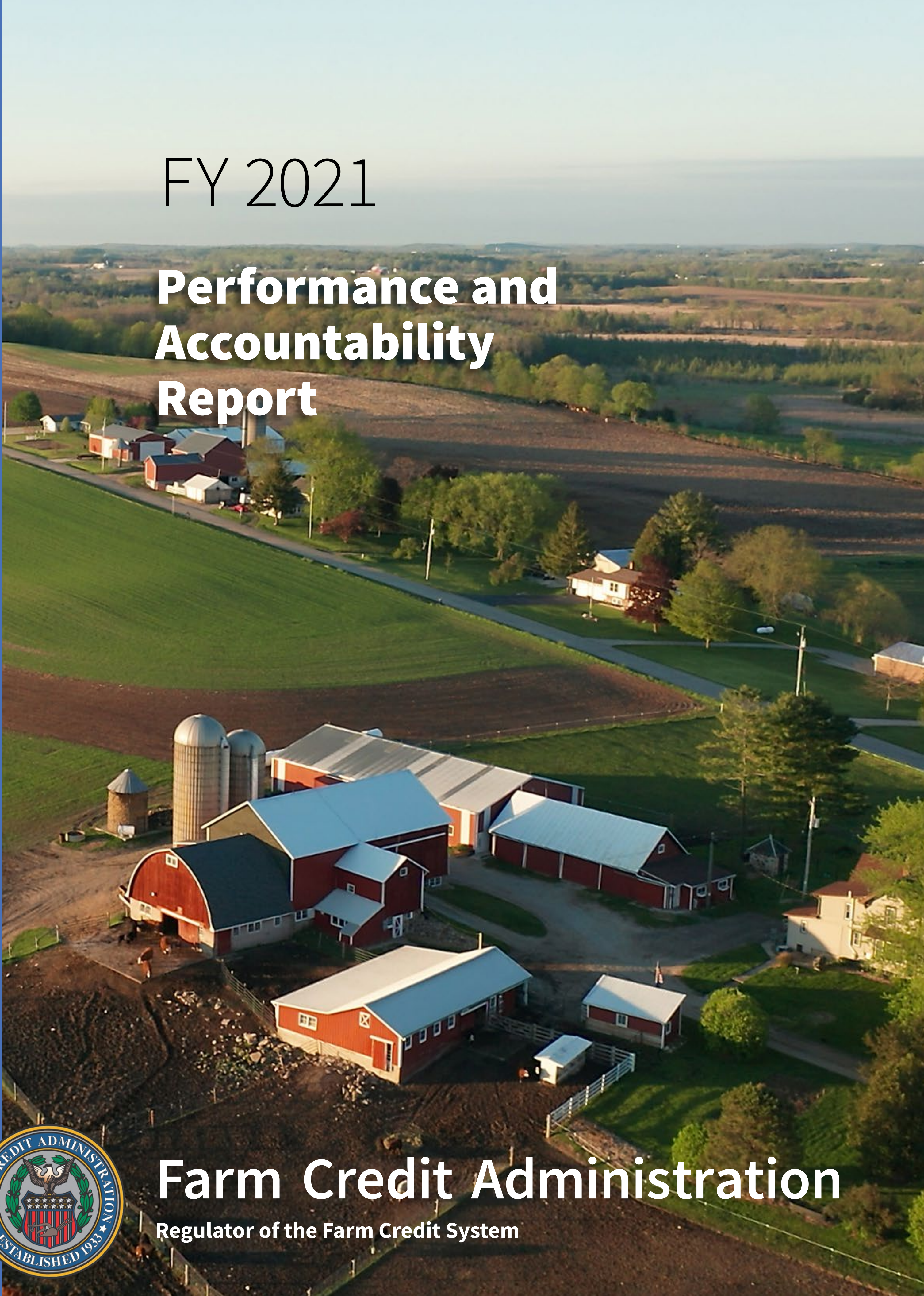

FY 2021

Performance and Accountability Report

Farm Credit Administration

Regulator of the Farm Credit System

Mission

The Farm Credit Administration ensures that Farm Credit System institutions and Farmer Mac are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America.

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List of acronyms appearing in report

CAMELS	capital, assets, management, earnings, liquidity, and sensitivity
CEO	Chief Executive Officer
COO	Chief Operating Officer
COVID-19	coronavirus disease 2019
CSRS	Civil Service Retirement System
DATA	Digital Accountability and Transparency Act
EEO	Equal Employment Opportunity
Farmer Mac	Federal Agricultural Mortgage Corporation
FCA	Farm Credit Administration
FCS	Farm Credit System
FCSIC	Farm Credit System Insurance Corporation
FCSBA	Farm Credit System Building Association
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act
FMFIA	Federal Managers' Financial Integrity Act
FIRS	Financial Institution Rating System
FY	fiscal year
GAAP	generally accepted accounting principles
GAO	Government Accountability Office
GSE	government-sponsored enterprise
IM	informational memorandum
IT	information technology
Libor	London Interbank Offered Rate
NCB	National Consumer Cooperative Bank
OE	Office of Examination
ODAE	Office of Data Analytics and Economics
OIG	Office of Inspector General
OIT	Office of Information Technology
OMB	U.S. Office of Management and Budget
OPM	U.S. Office of Personnel Management
OSMO	Office of Secondary Market Oversight
SFFAS	Statements of Federal Financial Accounting Standards
USDA	United States Department of Agriculture
YBS	young, beginning, and small (farmers and ranchers)

Statement of Board Chairman and CEO

November 10, 2021

As board chairman and CEO of the Farm Credit Administration, I invite you to review our Performance and Accountability Report for Fiscal Year 2021. Most of the report covers our activities from Oct. 1, 2020, to Sept. 30, 2021.

In FY 2021, we once again achieved the goals outlined in our strategic plan and met or exceeded almost all performance targets. In addition, our financial statements received an unmodified opinion from an independent auditor. Based on the results of our internal evaluations, I can assure you that the financial and performance information in this report is complete and reliable. We also did not identify any material weaknesses in our internal controls.

FCA is the arm's length regulator of the Farm Credit System (System) and the Federal Agricultural Mortgage Corporation (Farmer Mac). Our mission is to ensure that System institutions and Farmer Mac are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America.

The System holds 43.8% of the nation's total farm business debt, so it plays a vital role in the health of the nation's agricultural economy. And Farmer Mac, which provides a secondary market for agricultural real estate mortgages and rural cooperative loans, enhances the ability of lenders to offer competitive financing to rural borrowers and farmland investors.

Both the System and Farmer Mac are well capitalized and remain financially safe and sound. Together, the Farm Credit System banks and associations held $408 billion in assets as of June 30, 2021, up 6.0% from the year before. Farmer Mac had program volume of $24.2 billion as of that date, up 1% from the year before. Its net worth was $1.2 billion as of that date, up 43% from the year before primarily because of preferred stock issuances and higher retained earnings.

Over the past fiscal year, we worked to protect the financial soundness of the System and Farmer Mac and to ensure that they continue to fulfill their missions to serve agriculture and rural America. Here are some of the ways we accomplished these goals during the reporting period from July 1, 2020, to June 30, 2021:

- Examined System institutions and Farmer Mac in accordance with statutory requirements
- Prepared 53 formal reports of examination and 54 interim activity letters
- Created a climate risk task force in partnership with the Farm Credit System Insurance Corporation to evaluate any potential risks that climate poses to the Farm Credit System through possible impacts on land values, crop productivity, animal health, and rural economies.
- Analyzed and reported on the System's service to young, beginning, and small farmers and ranchers, as well as economic conditions in agriculture and the Farm Credit System
- Issued guidance to System institutions on such topics as the following:
  - Making loans through the Paycheck Protection Program
  - Transitioning away from the London Interbank Offered Rate (LIBOR)

    - Managing challenges associated with the COVID-19 pandemic
    - Identifying and executing criminal referrals on suspected violations of federal laws or regulations
    - Maintaining and using stockholder lists

- Issued final rules governing the following:
    - Amortization limits on certain loans
    - Eligibility of investments made by the System's associations
    - District financial reporting

- Issued a proposed rule governing collateral evaluations
- Issued an advance notice of proposed rulemaking on liquidity reserve requirements
- Issued a notice and request for comment on interagency questions and answers on flood insurance
- Continued to study the loan syndication market
- Approved a direct final rule to eliminate requirements for Farmer Mac to submit paper copies of certain reports to FCA
- Issued guidance to Farmer Mac outlining expectations to protect the corporation from ransomware attacks
- Responded to 30 borrower inquiries and complaints

I am particularly proud to report that FCA had the highest score in the "COVID Overall" category across all federal agencies in the 2020 rankings for Best Places to Work in the Federal Government. This category measures the extent to which our employees feel the agency supported their mental and physical well-being during the COVID-19 pandemic, provided the resources they needed to do their work, had leaders who communicated effectively and prioritized their welfare, and successfully delivered on its mission.

Also, FCA once again placed among the top five small agencies in the overall rankings for best places to work. The ranking is based on the agency's "engagement score," which was 86.0 – 17 points higher than the governmentwide score.

I am pleased with these survey results and with all our achievements in FY 2021. Our success could not have been possible without the hard work and dedication of our staff. I am confident we will continue to successfully fulfill our mission. And I hope the dark days of the pandemic will be behind us in FY 2022 and that brighter days await us all.

Glen R. Smith
Board Chairman and CEO

Management's Discussion and Analysis

This section provides an overview of the Farm Credit Administration and our mission. It highlights information on FCA's performance, financial results, systems and controls, compliance with laws and regulations, and an assessment of future challenges and plans.

FCA at a Glance

The Farm Credit Administration is an independent agency in the executive branch of the U.S. government. We are responsible for regulating and supervising the Farm Credit System (its banks, associations, and related entities) and the Federal Agricultural Mortgage Corporation (Farmer Mac).

The System is a nationwide network of borrower-owned financial institutions that provide credit to farmers, ranchers, residents of rural communities, agricultural and rural utility cooperatives, and other eligible borrowers.

FCA is responsible for ensuring that the System remains a dependable source of credit for agriculture and rural America. We do this in two ways:

- We ensure that System institutions, including Farmer Mac, operate safely and soundly and comply with applicable laws and regulations.
- We issue policies and regulations governing how System institutions conduct their business and interact with borrowers.

History highlights

1909: The Country Life Commission studies rural progress in the United States.

1912 and 1913: National commissions study European agricultural credit.

1916: Congress creates the Farm Credit System, establishing 12 federal land banks.

1923: Twelve federal intermediate credit banks are added to System.

1933: FCA is created; production credit associations and one central bank and 12 regional banks for cooperatives are added to System.

1934: FCA becomes responsible for chartering, examining, and supervising all federal credit unions.

1939: FCA becomes part of USDA.

1953: FCA becomes independent agency again.

1968: The System repays government capital.

1971: Congress passes Farm Credit Act of 1971, from which FCA derives its current powers and authorities.

1980: The Farm Credit Act Amendments of 1980 allows System lenders to provide credit and other financial services to additional types of borrowers. They also require federal land banks and production credit associations to develop lending programs for young, beginning, and small farmers and ranchers.

1985: FCA becomes arm's length regulator with enforcement powers.

1987: The System is authorized to receive $4 billion in federal assistance but uses only $1.3 billion.

1988: The Farm Credit System Insurance Corporation and Farmer Mac are established.

1996: Congress passes Farm Credit System Reform Act granting Farmer Mac authority to buy and pool loans.

2005: The System repays all federal financial assistance with interest.

2017: FCA capital rule ensures that System institutions hold sufficient regulatory capital.

2018: Congress passes Agriculture Improvement Act of 2018, which enhances FCA's enforcement powers.

FCA history

An executive order by President Franklin D. Roosevelt in 1933 placed all existing agricultural credit organizations under the supervision of a new agency, the Farm Credit Administration. FCA was independent until 1939, when it became part of the U.S. Department of Agriculture (USDA), but became an independent agency again under the Farm Credit Act of 1953. This act created a federal Farm Credit Board with 13 members (one from each of the 12 farm credit districts and one appointed by the secretary of agriculture) to develop policy for FCA. Farmer-borrowers now had a voice at the national level.

FCA also played a pivotal role in the federal credit union movement when, in 1934, it was given responsibility for chartering, examining, and supervising all federal credit unions. Before this oversight was turned over to the Federal Deposit Insurance Corporation in 1942, FCA had chartered more than 4,000 credit unions and examined them annually.

FCA derives its current powers and authorities from the Farm Credit Act of 1971, as amended (12 U.S.C. 2001–2279cc). This act gave the banks and associations more flexibility in lending to production agriculture and authorized lending to commercial fishermen and rural homeowners. In 1980, the law was amended to encourage lending to young, beginning, and small farmers. The U.S. Senate Committee on Agriculture, Nutrition, and Forestry and the U.S. House of Representatives Committee on Agriculture oversee FCA and the Farm Credit System.

For a complete history, see the timeline from 1909 to the present on the FCA website (https://www.fca.gov/about/historical-highlights-of-fca-and-the-fcs).

FCA funding and governance

FCA does not receive a federal appropriation. We maintain a revolving fund financed primarily by assessments from the institutions we regulate. Other sources of income for the revolving fund are interest earned on investments with the U.S. Treasury and reimbursements for services we provide to federal agencies and others.

FCA's policy, regulatory agenda, and supervisory and examination activities are established by a full-time, three-person board whose members are appointed by the president of the United States with the advice and consent of the Senate.

Board members serve a six-year term and may remain on the board until a successor is appointed. The president designates one member as chairman of the board, who serves in that capacity until the end of his or her own term. The chairman also serves as our chief executive officer.

FCSIC

FCA board members also serve as the board of directors for the Farm Credit System Insurance Corporation (FCSIC), which is a separate independent agency. FCSIC was established by the Agricultural Credit Act of 1987 in the wake of the agricultural credit crisis of the 1980s. The purpose of FCSIC is to protect investors in Systemwide debt securities by insuring the timely payment of principal and interest on certain System notes, bonds, and other obligations purchased by investors. FCSIC does so by maintaining the Farm Credit Insurance Fund, a reserve that represents the equity of FCSIC.

FCA offices

Our headquarters and one field office are in McLean, Virginia. We also have field offices in Bloomington, Minnesota; Dallas, Texas; Denver, Colorado; and Sacramento, California.

As of Sept. 30, 2021, FCA had 329 full- and 3 part-time employees. These employees work in the following offices, with the majority serving in the Office of Examination.

The **FCA board** manages, administers, and establishes policies for FCA. The board approves the policies, regulations, charters, and examination and enforcement activities that ensure a strong Farm Credit System (FCS). The board also provides for the examination and supervision of the FCS, including Farmer Mac, and oversees the activities of the FCS Building Association, which acquires, manages, and maintains FCA headquarters and field office facilities. Glen R. Smith is the board chairman.

The **chairman of the FCA board** serves as the chief executive officer (CEO). The CEO enforces the rules, regulations, and orders of the FCA board. He or she directs the implementation of policies and regulations adopted by the FCA board. The Office of the Chief Executive Officer plans, organizes, directs, coordinates, and controls our day-to-day operations and leads the agency's efforts to achieve and manage a diverse workforce. Glen R. Smith is the CEO.

The **chief operating officer (COO)** has broad responsibility for planning, directing, and controlling the operations of the Offices of Agency Services, Examination, Regulatory Policy, Data Analytics and Economics, Information Technology, Chief Financial Officer, and General Counsel in accordance with the operating philosophy and policies of the FCA board. He or she supervises and provides policy direction to the executive staff responsible for managing these offices. The COO oversees and coordinates the development and implementation of the agencywide strategic, operating, and budget plans and activities. The COO also coordinates the resolution of internal policy, personnel, and program issues with agency executive leadership and the FCA board.

The **Office of Agency Services** manages and delivers human capital, operational, and workforce development services for the agency. The office consists of three service delivery teams: Human Resources Division, Operations Division, and Learning and Organizational Change Team. Services provided include strategic human capital management, recruiting, workforce planning, succession management, staffing and placement, job evaluation, compensation and benefits, payroll administration, performance management, awards, employee relations, employee training and development, property management, personnel security, continuity of operations and emergency preparedness, supply services, and mail service.

The **Office of the Chief Financial Officer** supports FCA's operations by providing financial management policy advice, reporting the agency's financial results, and facilitating the agency's strategic planning efforts. The office manages the agency's compliance with federal financial management requirements. It also reports on the accuracy and propriety of transactions, the extent to which assets are accounted for and safeguarded, and the adequacy of internal controls to detect and prevent material financial misstatements. It oversees the agency's budget; the investments committee; FCS assessments; and the agency's purchasing, credit card, and travel/relocation programs. It also facilitates the agency's risk management and internal control efforts to help ensure operational and fiscal effectiveness and efficiency.

The **Office of Congressional and Public Affairs** serves as the agency's principal point of contact for Congress, the media, other government agencies, FCS institutions, employees, System borrowers, and the public. The office develops and monitors legislation pertinent to FCA and the FCS, serves as the agency's congressional liaison, facilitates intergovernmental relations, and prepares testimony for the chairman and other board members. It also provides information to external audiences through news releases, fact sheets, reports, videos, and other publications. The office cultivates relationships with media representatives who report on matters related to agriculture and rural credit, and it manages the content of the FCA website and social media channels. It also organizes special meetings, briefings for international visitors, and field hearings.

The **Office of Data Analytics and Economics** evaluates strategic risks to the System and agency using data, analytics, economic trends, and other risk factors. Its staff members serve as stewards for agency data and provide information to the board and management for objective, evidence-based decision-making across FCA. The office facilitates an agencywide strategy for analytics and collaborates on business intelligence tools and the development of models to meet the strategic needs of the agency.

The **Office of Equal Employment Opportunity and Inclusion** manages and directs the diversity, inclusion, and equal employment opportunity (EEO) program for FCA and FCSIC. The office serves as the chief liaison with the Equal Employment Opportunity Commission and the Office of

Personnel Management on all EEO, diversity, and inclusion issues. The office provides counsel and leadership to agency management to carry out its continuing policy and program of nondiscrimination, affirmative action, and diversity.

The **Office of Examination** is responsible for examining and supervising each FCS institution in accordance with the Farm Credit Act and applicable regulations. The office develops oversight plans; conducts examinations; monitors the System's condition and current and emerging risks to the System; and develops supervisory strategies to ensure that the FCS operates in a safe and sound manner, complies with the law and regulations, and fulfills its public policy purpose. For more information about the role of the Office of Examination, go to www.fca.gov/bank-oversight/guidance and click board policy statements to read our "Examination Philosophy" (FCA-PS-53).

The **Office of General Counsel** provides the FCA board and staff with legal counsel as well as guidance on the Farm Credit Act and general corporate, personnel, ethics, and administrative matters. The office supports the agency's development and promulgation of regulations, enforcement of applicable laws and regulations, and implementation of conservatorships and receiverships. It represents and advises the agency on civil litigation. It also serves as the liaison to the Federal Register, administers the agency's ethics program, and handles Freedom of Information Act requests.

The **Office of Information Technology** supports the information, solutions, and IT infrastructure that empower FCA to fulfill its mission. It is a respected partner in fulfilling FCA's mission through innovative solutions. The office is responsible for protecting agency technology assets, planning and controlling information technology investments, leading change to improve the efficiency and effectiveness of agency operations, and maintaining compliance with IT regulatory mandates. It is responsible for continuing to leverage FCA's investment in technology by collaborating across agency offices to identify and re-engineer business applications, data systems, and processes.

The Office of Inspector General provides independent and objective oversight of agency programs and operations through audits, inspections, evaluations, investigations, and the review of proposed legislation and regulations. The office promotes economy and efficiency within FCA and seeks to prevent and detect fraud, waste, abuse, and mismanagement in the agency's programs and operations.

The **Office of Regulatory Policy** manages policy and regulation development activities, at the direction of the FCA board, to ensure the safety and soundness of the FCS and support the System's mission. Policy and regulation development activities include the analysis of policy and strategic risks to the System on the basis of economic trends and other risk factors. The office also evaluates all regulatory and statutory prior approvals for System institutions on behalf of the FCA board, including chartering and other corporate approvals as well as funding approvals.

The **Office of Secondary Market Oversight** provides for the examination, regulation, and supervision of Farmer Mac to ensure its safety and soundness and the accomplishment of its public policy purpose as authorized by Congress. It also ensures that Farmer Mac complies with applicable laws and regulations, and it manages FCA's enforcement activities with respect to Farmer Mac.

The **designated agency ethics official** is designated by the FCA chairman to administer the provisions of title I of the Ethics in Government Act of 1978, as amended, to coordinate and manage FCA's ethics program and to provide liaison to the Office of Government Ethics with regard to all aspects of FCA's ethics program.

The **secretary to the board** serves as the parliamentarian for the board and keeps permanent and complete records of the acts and proceedings of the board. He or she ensures that the board complies with statutory, regulatory, and internal operation reporting requirements. The secretary to the board also serves as secretary to the Farm Credit System Insurance Corporation board. In addition, he or she serves as the Sunshine Act official for the FCA board.

Figure 1: FCA organizational chart as of October 2021

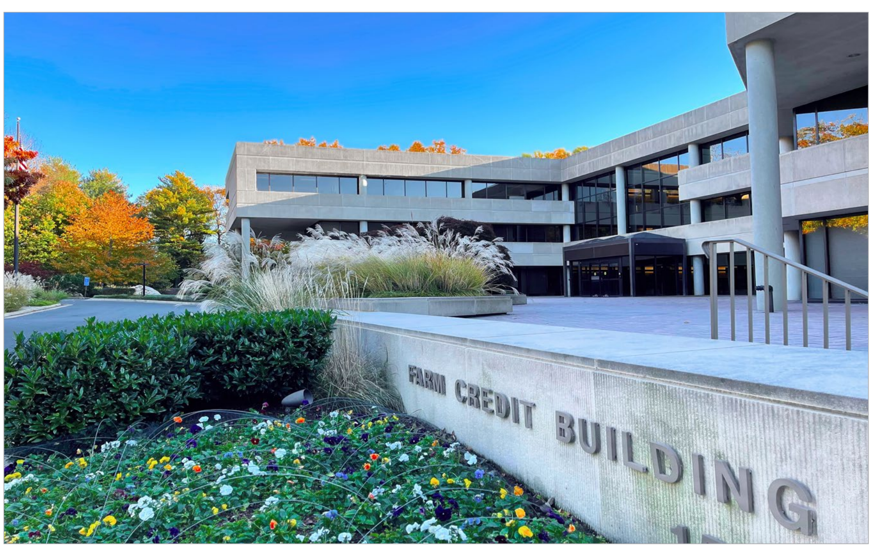
For an accessible version of this chart, go to www.fca.gov/about/fca-organizational-chart

FCA Board

Glen R. Smith, Chairman

Jeffery S. Hall, Member

- **Chairman and Chief Executive Officer**
  Glen R. Smith
  - **Office of the Chief Operating Officer**
    S. Robert Coleman
    - **Office of Agency Services**
      Vonda Bell
    - **Office of the Chief Financial Officer**
      Stephen G. Smith
    - **Office of Data Analytics and Economics**
      Jeremy D'Antoni
    - **Office of Examination**
      Roger Paulsen
    - **Office of General Counsel†**
      Clark Ogilvie
    - **Office of Information Technology**
      Jerald Golley
    - **Office of Regulatory Policy**
      Kevin Kramp
  - **Office of Congressional and Public Affairs**
    Michael A. Stokke
  - **Office of Equal Employment Opportunity and Inclusion**
    Thais Burlew
  - **Office of Secondary Market Oversight***
    Laurie A. Rea
  - **Designated Agency Ethics Official**
    Jane Virga
  - **Secretary to the Board**
    Ashley Waldron
- **Office of Inspector General**
  Wendy R. Laguarda



The headquarters of the Farm Credit Administration, located in McLean, Virginia.
Sherrell Carr, Farm Credit Administration

* Reports to the board for policy and to the CEO for administration.

† Maintains a confidential advisory relationship with each of the board members.

Highlights of FCA's Performance Goals and Results

FCA's mission is to ensure that Farm Credit System institutions and Farmer Mac are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America.

In our Strategic Plan for Fiscal Years 2018–2023, we identified three goals we must meet to fulfill our mission. For each goal, we identified strategies and actions to achieve the goal, as well as a set of performance measures to monitor our progress in meeting the goal.

Our performance report (page 29) shows that we met the goals identified in our strategic plan and met or exceeded most of the performance measures for which there are data to measure performance. The following is a summary analysis of our performance in reaching our goals.

Goal 1 highlights

Public mission: Ensure that the FCS and Farmer Mac fulfill their public missions for agriculture and rural areas.

There are nine strategies and six performance measures established for goal 1 in the strategic plan (see table 8a). The six performance measures are as follows:

1. Percentage of FCS institutions providing products and services that serve creditworthy and eligible persons and perform outreach to enhance diversity and inclusion. (Target: ≥90%)
2. Whether Farmer Mac's business plan contains strategies to promote and encourage the inclusion of all qualified loans, including loans to small farms and family farmers, in its secondary market programs, and whether its business activities further its mission to provide a source of long-term credit and liquidity for qualifying loans. (Target: Yes)
3. Percentage of direct-lender institutions with satisfactory consumer and borrower rights compliance. (Target: ≥90%)
4. Percentage of direct-lender institutions with young, beginning, and small (YBS) programs for farmers and ranchers that are in compliance with YBS regulations. (Target: ≥90%)
5. Whether the majority of objectives listed in the preamble of each final rule were met on the two-year anniversary of the rule's effective or implementation date. (Target: Yes)
6. Percentage of pre–rulemaking projects and proposed rules on which FCA requested input from persons outside of FCA. (Target: 100%)

We achieved or exceeded our targets for all six measures associated with goal 1.

Goal 2 highlights

Safety and soundness: Evaluate risk and provide timely and proactive oversight to ensure the safety and soundness of the System and Farmer Mac.

There are six strategies and six performance measures for goal 2 (see table 8b). The performance measures are as follows:

1. Percentage of System assets in institutions with composite CAMELS ratings of 1 or 2. See box on next page for explanation of CAMELS. (Target: ≥90%)
2. Percentage of requirements in supervisory agreements with which FCS institutions have at least substantially complied within 18 months of execution of the agreements. (Target: ≥80%)

3. Percentage of institutions complying with regulatory capital ratio requirements. (Target: ≥90%)

4. Whether the Office of Secondary Market Oversight's examination and oversight plan and activities effectively identify emerging risks, and whether appropriate supervisory and corrective actions have been taken to effect change when needed. (Target: Yes)

5. Percentage of institutions with satisfactory audit and review programs, including institutions with acceptable corrective action plans. (Target: 100%)

6. Whether five or more reports and dashboards were created that use data collected from the Farm Credit System to assess risk in the System. (Target: Yes)

We achieved or exceeded the targets for five of the six measures associated with goal 2. During this reporting period, performance measure 2 was not applicable because we did not have any supervisory agreements in place with FCS institutions.

The CAMELS rating system is based on an evaluation of six critical elements of a System institution's operations. Its purpose is to provide an accurate and consistent assessment of an institution's capital, asset quality, management, earnings, liquidity, and sensitivity to interest rate risk. Examiners assign a numeric rating between 1 and 5 to each of these components.

Capital — Capital is evaluated and rated based on the quantity and quality of capital, risks that could threaten capital, the ability to capitalize asset growth, and the management of capital. System institutions are expected to maintain capital commensurate with the nature and extent of risks to the institution and the ability of management to identify, measure, monitor, and control these risks.

Asset Quality — Asset quality is evaluated and rated based on the credit risk in loans, investments, other real estate owned, and other assets. Management's ability to identify, measure, monitor, and control credit risk is also reflected here. This evaluation also considers the adequacy of the allowance for credit losses.

Management — Management is evaluated and rated based on the capabilities and actions of the board and management, in their respective roles, to identify, measure, monitor, and control the risks of the institution's activities and to ensure the institution operates in a safe, sound, and efficient manner and complies with applicable laws and regulations, while also serving its public mission.

Earnings — Earnings are evaluated and rated based on the quantity, quality, and sustainability of the institution's earnings. This evaluation considers the adequacy of earnings in relation to the institution's various risk exposures, earnings strategies, operating efficiency, and the adequacy of earnings to fund capital needs.

Liquidity — Liquidity is evaluated and rated based on the institution's ability to fund operations and meet debt obligations and cash flow requirements without incurring unacceptable losses or materially adversely affecting the institution's daily operations and financial condition.

Sensitivity — Sensitivity is evaluated and rated based on the degree to which changes in interest rates can adversely affect the institution's earnings and capital. This evaluation addresses asset–liability management practices, hedges, strategies for managing interest rate risk, and risk measurement processes.

Goal 3 highlights

Workforce management: Cultivate an environment that fosters a well-trained, motivated, and diverse staff while providing an effective plan for leadership succession.

There are four strategies and two performance measures for goal 3 (see table 8c). The performance measures are as follows:

1. Whether, as part of its recruiting efforts for entry-level examiners, FCA has ensured that at least 25% of its outreach efforts target applicants with a disability or who are members of a minority group. (Target: 25%)

2. Whether we have maintained or improved our score from last year in the annual employee satisfaction survey. (Target: ≥86)

We achieved the target for one of the two measures associated with goal 3. During FY 2021, performance measure 2 was not applicable because OPM has delayed the release of the Federal Employee Viewpoint Survey until November 2021. The 2021 results will not be available until next year.

Resources to achieve our strategic goals

The performance goals, as outlined in the strategic plan, provide a framework for the development of the annual budget request and the performance measures and targets. We formulate and execute our budget by allocating resources according to the agency goals. We assess and measure our overall effectiveness in fulfilling our mission through the resulting analysis of the performance measures.

When we formulate and execute our budget, we allocate dollars as follows:

- Goal 1 — Public mission
- Goal 2 — Safety and soundness
- Goal 3 — Other activity

Goals 1 and 2 above align with the goals as noted in the performance report. Goal 3, however, differs between the performance report and the performance budget and execution. Costs for the workforce management goal in the strategic plan are an inherent part of our ability to fulfill our primary agency goals of public mission and safety and soundness. In the performance budget and in our execution of the budget, we use the other activity goal to track reimbursable activity separate from other agency primary mission costs. Table 1 displays the proportion of our budget allocated to each goal and the proportion of the costs associated with each goal.

Table 1. FY 2021 performance budget versus program costs

Agency programs	% of total performance budget	% of total program costs
Public mission	22.3%	24.2%
Safety and soundness	76.2%	74.8%
Other activity	1.5%	1.0%
Total	**100.0%**	**100.0%**

During FY 2021, we had a higher proportion of program costs for public mission than anticipated in our budget. This was primarily due to our additional regulatory efforts to address issues in the System related to the COVID-19 pandemic. The percentage of costs related to our safety and soundness goal were lower than budgeted partly because we restricted agency travel as part of our COVID-19 strategy to keep our employees safe.

For specifics on the agency resources expended in support of our agency goals, please refer to the program costs and revenues section on page 18.

For more information about our performance results, see the performance results tables on pages 43–49.

Analyses and Highlights of FCA's Financial Statements

Financial Highlights

Financial operation of FCA

We pay for planned administrative expenses from a revolving fund, which is funded primarily by assessments received from Farm Credit System institutions, including the Federal Agricultural Mortgage Corporation (Farmer Mac) and the System's service corporations.

We calculate the assessments using a formula established by FCA regulation. The FCA board approves our budget, and Congress usually imposes a limitation on the dollar amount of obligations that we may incur in a given fiscal year.

In addition to assessments, we receive funds from two other sources:

- **Reimbursable services:** We are reimbursed for the cost of examining the National Consumer Cooperative Bank and for performing services for the Farm Credit System Insurance Corporation and the U.S. Department of Agriculture (USDA).
- **Interest earned:** We earn interest on investments with the U.S. Department of the Treasury. We use interest earned on investments to build and maintain an agency reserve. The reserve ensures that we can effectively and efficiently respond to unexpected, unbudgeted expenses without needing to increase assessments.

The following sections highlight our financial condition for FYs 2021 and 2020. Our financial statements are provided on pages 58 – 73.

Activity in response to COVID-19

Beginning March 16, 2020, the agency directed most of its workforce to telework from home or an alternate work location because of the COVID-19 pandemic, restricting business travel and in-person training. The telework period has been extended several times because of ongoing health and safety concerns; however, employees have been allowed to return to the office on a limited and voluntary basis. Our telework plan continued throughout FY 2021.

During FY 2021, we continued to encourage System institutions to work with System borrowers whose operations have been affected by COVID-19. The agency continued to offer temporary relief from certain regulatory and reporting requirements to System institutions affected by the pandemic in 2021.

As in FY 2020, during FY 2021, we did not experience any significant financial impact because of COVID-19. We also did not receive any budgetary resources under any of the COVID-19 supplemental appropriations. Any expenses related to COVID-19 were nominal and immaterial to our overall costs.

How FCA addresses climate change

FCA's senior leaders are committed to identifying ways to fulfill the president's executive order titled "Tackling the Climate Crisis at Home and Abroad," which was issued Jan. 27, 2021. Vonda Bell, chief human capital officer and director of the Office of Agency Services, was selected to serve as our agency's sustainability officer. As a member of the executive leadership team, she ensures the agency has a comprehensive approach to identifying and mitigating environmental challenges.

Some of our noteworthy achievements over the past year include the following:

- Installing a new energy-efficient cooling tower and state-of-the-art, environmentally friendly air filtration systems in all FCA offices

- Coordinating with the Farm Credit System Building Association to ensure use of green products
- Issuing new energy-efficient laptops
- Donating or recycling end-of-life laptops

In FY 2022, we plan to promote and analyze the effectiveness of our sustainability activities. We will also take the following actions to support sustainability:

- Continue to promote a paperless environment by training staff on technology tools
- Encourage virtual collaboration and online training programs to reduce travel
- Train the contracting officer on Green Procurement Compilation (an online resource that consolidates and organizes information from federal environmental programs in one place)
- Promote National Bike to Work Day, held every May, and Earth Day, held annually on April 22
- Support commuter subsidy programs to encourage carpooling and use of public transportation, as well as telecommuting
- Continue to collaborate with the Farm Credit System Building Association to find strategies for reducing electricity consumption, review leases as they expire, and support green product procurement
- Promote paper and plastic recycling
- Collaborate with employee advocacy groups to solicit ideas for new sustainability initiatives

FCA's assets, liabilities, and net position

As shown in table 2, our total assets (the resources we own) for FY 2021 are composed of the following:

- Fund balance with Treasury (2.1%)
- Investments (93.6%)
- Accounts receivable and prepayments (0.8%)
- Property and equipment (3.5%)

During FY 2021, total assets increased by $1,574,226, or 3.9%, from amounts reported in FY 2020.

As of Sept. 30, 2021, the agency held $896,793 in cash (fund balance with Treasury). While we invest all excess cash in U.S. Treasury securities, the timing of when cash is collected affects the ending balance. The decrease in our cash balance relative to 2020 reflects a lower amount of cash collections on Sept. 30 after the cutoff time for investing. This in turn increased our investments balance at year end because the collections for that day were prior to the cutoff and included in the day's investment. Cash collected after the investment cutoff for the day remains as an available cash balance and is invested the following day. The collections on Sept. 30 were prepaid assessments (that is, assessments due on Oct. 1 but received on or before Sept. 30) from several FCS institutions.

Property and equipment assets decreased in 2021 primarily from the disposal of the old laptops that were replaced in 2020.

Table 2. Composition of assets

Assets	FY 2021	FY 2020	% Change
Fund balance with Treasury	$896,793	$4,204,180	(78.7%)
Investments	39,610,612	34,471,697	14.9%
Accounts receivable and prepayments	319,379	261,233	22.3%
Property and equipment	1,487,624	1,803,072	(17.5%)
Total	**$42,314,408**	**$40,740,182**	**3.9%**

Our investment portfolio, which accounts for the largest portion of our total assets, increased by $5,138,915 in FY 2021. The primary factor for this increase is the increase in assessments this fiscal year relative to FY 2020. The increase also reflects our purchase of long-term investments this year, which were all purchased at a premium. This results in a higher book value than past years when we held securities purchased at a discount. During fiscal year 2021, we purchased $28,633,217 in U.S. Treasury securities, using an investment strategy that enables us both to maintain a steady cash flow for agency operations and earn interest to build the agency reserve.

We hold the reserve funds in contingency to address specific, onetime, unforeseen events without increasing assessments at a time that may be financially difficult for System institutions. Our policy is to maintain a reserve balance that covers approximately two months of operating expenses. Section 5.15 of the Farm Credit Act of 1971, as amended, (12 U.S.C. 2250) allows FCA to maintain a necessary reserve. The interest reserve makes up roughly 35.5% of our total investment portfolio. The remaining balance in the interest portfolio is our unobligated balance net of our cash balance at Sept. 30, 2021.

Our liabilities, as shown in table 3, consist of the following general categories:

- Accounts payable (4.9%)
- Payroll and benefits (46.5%)
- Employer contributions and taxes payable (7.6%)
- Workers' compensation (8.0%)
- Deferred revenue (33.0%)

Like total assets, our total liabilities (what we owe to the public and other government agencies) increased. Driven primarily by the increase in accounts payable and accrued liabilities, overall liabilities increased by $1,795,662 or 10.1% from 2020 to 2021.

Accrued liabilities increased by $948,478 as of Sept. 30, 2021, compared with those as of Sept. 30, 2020. This increase is a combination of a higher year-end payroll accrual and a higher leave liability accrual in 2021. We record a liability (an accrual) for payroll expenses not posted in the financial system as of Sept. 30 each year. Based on the timing of the pay periods and when payroll is posted, the year-end accrual could include extra days in the calculation. For 2021, the year-end payroll accrual included one more day than the 2020 accrual. Because of the impacts of the ongoing COVID-19 pandemic, staff members have not used as much leave (vacation time) as in years past. This has caused our funded leave liability to increase.

Our accounts payable increased by $439,336 this year. As of Sept. 30, 2021, we had a higher amount in liabilities for services received but not paid relative to 2020. A large part of that amount was related to a contract for graduate-level courses with Virginia Tech (see goal 3 within the Program Performance section of this report for more detail on this partnership).

Deferred revenue — assessments received from FCS institutions that are not due until Oct. 1 — increased only by $142,512 relative to 2020. At the beginning of each fiscal year we reclassify any

Table 3. Composition of liabilities

Liabilities	FY 2021	FY 2020	% Change
Accounts payable	$956,848	$517,512	84.9%
Accrued liabilities (payroll and benefits)	9,141,457	8,192,979	11.6%
Employer contributions and taxes payable	1,503,037	1,291,653	16.4%
Workers' compensation (funded and unfunded)	1,565,542	1,511,590	3.6%
Deferred revenue	6,474,352	6,331,840	2.3%
Total liabilities	**$19,641,236**	**$17,845,574**	**10.1%**

prepaid assessments as revenue earned in October of the new year.

Our net position, which represents the cumulative results of operations since the agency began, decreased slightly by $221,436, or 1.0%, during FY 2021. The net position decreased primarily because of the increase in the net cost of operations (see the Program Costs and Revenues section). For a breakdown of the net position, see the statement of changes in net position on page 61.

FCA's status of funds

Our budget represents our plan for achieving our mission and strategic goals while operating as effectively and efficiently as possible. Table 4 shows our board-approved budget amounts for FYs 2021 and 2020. The overall FY 2021 budget increased by 4.2% over the 2020 budget.

In FY 2021, we continued to carry out our mission, program goals, and objectives within the available budget. Our board-approved budget for FY 2021 was just under $80.9 million and the congressional limitation on our spending was $80.4 million. The FY 2020 congressional limitation was $77.0 million. The congressional limitation is the spending limit imposed by Congress on the non-reimbursable activity portion of our budget for the year. It limits the amount of assessments that we may use to pay for administrative expenses. The limitation includes assessment amounts for the current year as well as assessment carryover from prior years.

As table 5 shows, the agency used $3,397,326 more in 2021 than in 2020. The largest contributor to this change was personnel compensation and benefits, which increased by $4,766,461. Several factors affected personnel compensation and benefits: (1) the previously mentioned increase in leave liability, (2) the increase in staff, and (3) planned salary increases and promotions. Personnel compensation and benefits continue to account for the most significant use of funds at FCA, representing approximately 88.6% of the total funds used in 2021.

Because of the COVID-19 pandemic, we continued to restrict agency travel for the safety of our staff and System staff. As a result, funds used for travel in FY 2021 decreased by $895,362 compared with travel expenditures in FY 2020.

The assessment funds we used in 2021 amounted to 95.2% of our congressional limitation in 2021 (see table 6). We reduced the FY 2021 assessments in the 4th quarter by $3.5 million.

Contractual services decreased by 8.8% over last year and represented approximately 7.8% of the total funds used in 2021. This decrease is mainly related to reduced training. As we've seen with travel, the COVID-19 pandemic also resulted in less opportunities for in-person conferences and trainings. Many staff substituted virtual sessions where feasible, which were sometimes at a lesser cost than in-person trainings. Funds used for property and equipment remained relatively flat, increasing only by $32,470.

Program costs and revenues

This section describes our program costs and revenues for the fiscal years ended Sept. 30, 2021, and Sept. 30, 2020. Please read this section in conjunction with the statements of net cost. Because this section focuses on the cost of operations, some of the data provided here may differ from data provided in other sections of this report that are based on budgetary accounting.

Another difference that arises when we assess our program costs relative to our performance goals and measures is with goal 3. For purposes of the strategic plan and the performance goals, goal 3 is related to workforce management. Costs to address workforce management are intrinsic to our main goals of public mission and safety and soundness and are captured as part of those goals. Goal 3 for purposes of the performance budget and costs is related to our reimbursable activity. We track these costs separately from the rest of our agency mission costs noted in goals 1 and 2.

We achieve our strategic goals and manage our costs with sound business planning and effective resource management. The net cost of our programs totaled $6,631,531 for the 12 months ended Sept. 30, 2021, compared with $4,093,119 for the same period the previous year. While both revenue and expenses increased this past year, the rate of

Table 4. Agency budget

Budget funding sources	FY 2021	FY 2020	Difference
Assessments (current year)*	$79,800,000	$76,000,000	$3,800,000
Assessments (carryover from prior years)	600,000	1,000,000	$(400,000)
Reimbursable activity	470,000	630,000	$(160,000)
Total	**$80,870,000**	**$77,630,000**	**$3,240,000**

* Assessments were reduced in the fourth quarter for each FY — by $3.5 million in FY 2021 and by $3 million in FY 2020.

Table 5. Funds used by major budget category

Budget category	FY 2021	FY 2020	% Change
Personnel compensation and benefits	$68,173,204	$63,406,743	7.5%
Travel and transportation	181,483	1,076,845	(83.1%)
Contractual services	5,974,237	6,550,001	(8.8%)
Property and equipment	497,791	465,321	7.0%
Other	2,094,488	2,024,967	3.4%
Total*	**$76,921,203**	**$73,523,877**	**4.6%**

* The total funds used include reimbursable activity that is not subject to the congressional limitation.

Table 6. Funds used based on congressional limitation

Funds used category	2021 Funds used	Congressional limitation	Percentage used
Assessment funds used*	$76,500,711	$80,400,000	95.2%

* Includes amounts used from the assessed amounts for the year and assessment carryover amounts used to fund the budget.

Figure 2. Percentage of FY 2021 gross costs by agency goal

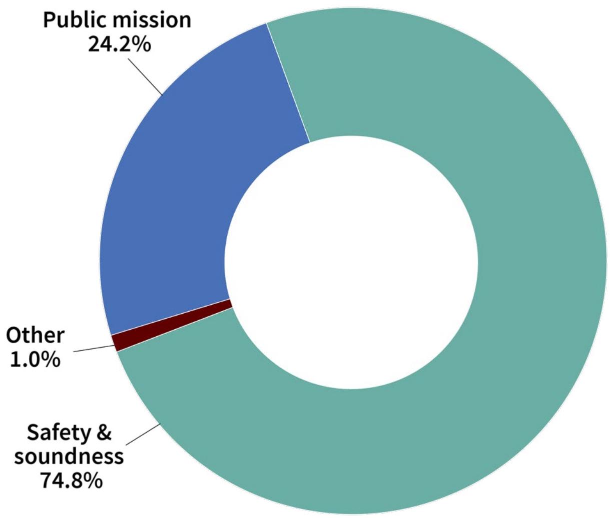
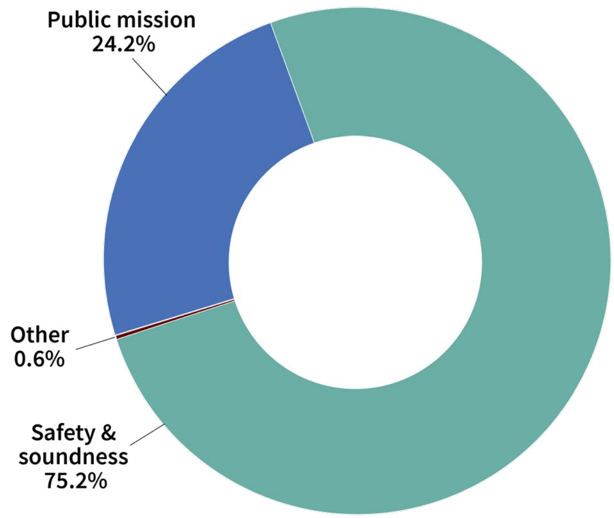


Figure 3. Percentage of FY 2021 gross revenue by agency goal



increase in expenses outpaced revenue, resulting in a net cost increase of $2,538,412 from 2020.

The total cost of our programs for FY 2021 is $83,667,255, compared with $78,216,033 for FY 2020. This represents an increase of $5,451,222, or 7.0%, from 2020. Figure 2 shows the breakdown of FY 2021 gross costs for each of our goals. Most of our costs support our mission and program goals. The increase in total costs is primarily due to increases in staff and employee compensation.

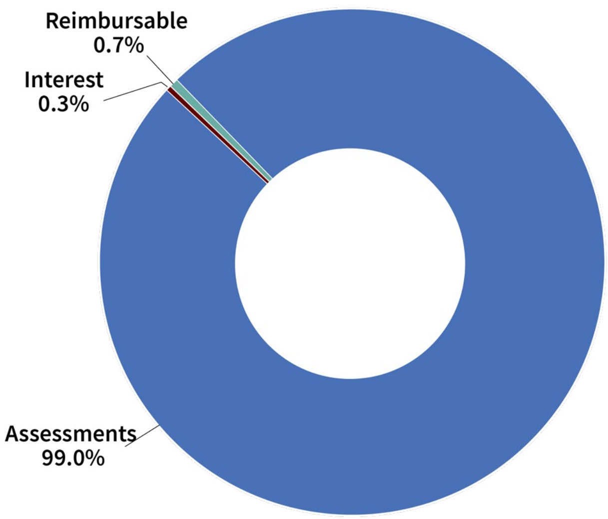
Employee salaries and benefits represent our greatest overall cost. For 2021, employee compensation totaled $70,925,664, or 84.8%, of total cost. Increases in staff, performance-based salary increases, employee benefits, career ladder promotions, and higher leave liability expenses all contributed to the cost increase in 2021. We recruit and train staff to fill vacancies in accordance with our employment and diversity strategies to meet operational challenges such as the COVID-19 pandemic and evolving risks in the FCS, including Farmer Mac. We periodically perform compensation studies to comply with the Financial Institution Reform, Recovery, and Enforcement Act of 1989, which requires us to keep our salaries and benefits comparable with the salaries and benefits of other federal financial institution regulators.

Keeping compensation competitive helps us continue to fulfill our mission to provide the FCS, including Farmer Mac, with effective regulation and oversight.

Figure 3 shows the breakdown of FY 2021 gross revenue allocated to each of our goals. Earned revenue for 2021 totaled $77,035,724, up $2,912,810, or 3.9%, from 2020. Earned revenue increased in 2021 primarily because of increases in institution assessments.

Figure 4 shows the breakdown of our three sources of revenue — assessments, interest on investments, and reimbursable activity. As one would expect, most of our revenue is derived from assessments (99.0%). Those revenues are used to fulfill our primary goals of carrying out our public mission and ensuring the safety and soundness of the System.

Figure 4. FY 2021 sources of revenue



Public mission program

We invest significant resources in our policymaking, regulatory, and corporate activity functions to ensure that the FCS, including Farmer Mac, fulfills its public mission as mandated by Congress. During FY 2021, we continued to ensure the safe and sound flow of funds to U.S. agriculture and rural areas by providing regulation, policy, and guidance for the FCS and Farmer Mac.

Costs for our public mission program include the review of borrower complaints. In accordance with the Farm Credit Act, we also review and approve FCS institutions' mergers to enable institutions to structure themselves to best serve their customers. During FY 2021, we also took additional policy and regulatory actions to address issues in the System that stemmed from the ongoing COVID-19 pandemic.

For the fiscal year ended Sept. 30, 2021, the program cost for our public mission was $20,209,279, representing an increase of $1,195,188, or 6.3%, from the same period the previous year. The increase is primarily due to increases in staff and related salaries and benefits costs. The cost for the public mission program represents 24.2% of our total costs for 2021.

Safety and soundness program

Costs associated with the agency's examination and supervision activities make up the largest portion of our expenditures at the program level. Like the public mission program, the cost of the safety and soundness program increased and for the same reasons—increases in staff and the related compensation costs. Although we conducted our examinations remotely this year because of the pandemic, we still rose to the challenge of fulfilling our safety and soundness goal and addressing growing risk in the FCS from a decline in the U.S. agricultural economy.

We invest heavily in the recruitment and training of examination staff through our Examiner Commissioning Program. These recruiting and training efforts are necessary to meet human resource needs and to offset the impact of unplanned employee attrition and the large number of retirements expected within the next few years. These actions have enabled us to maintain our level of supervision of the FCS while our entire staff worked remotely during all of FY 2021. During FY 2021, we met our goals and performance targets to ensure the safety and soundness of the System while at the same time ensuring the safety of our staff and the staff of the FCS and Farmer Mac during the ongoing COVID-19 pandemic.

Program cost for the examination and supervision of the FCS and Farmer Mac increased $4,206,601 to $62,627,132. Safety and soundness represents 74.8% of our total costs in 2021.

Other activity

"Other activity" includes examining and overseeing the National Consumer Cooperative Bank and performing reimbursable services for USDA and the Farm Credit System Insurance Corporation. Costs associated with this category increased slightly by $49,433 from 2020 to $830,844. The costs for providing reimbursable services remain relatively low compared with the total costs for our public mission and safety and soundness goals. Other activity represented approximately 1.0% of our total costs in 2021.

Earned revenue for other activity totaled $467,605 for 2021, compared with $504,831 for 2020, which is a decrease of $37,226.

Limitations of financial statements

As required by 31 U.S.C. 3515(b), we have prepared the principal financial statements to report the financial position and results of our operations. We have prepared these statements from our books and records in accordance with U.S. generally accepted accounting principles for federal entities and the formats prescribed by the Office of Management and Budget. Reports used to monitor and control budgetary resources are prepared from the same records.

As you read these statements, please keep in mind that they are for a component of the U.S. government.

Forward-looking analysis

In FY 2021, we focused on three main priorities: monitoring credit risk; improving service to young, beginning, and small (YBS) farmers and ranchers; and improving the timeliness and efficiency of our regulatory activities. We will maintain this focus in FY 2022 to ensure that the Farm Credit System fulfills its public mission and remains safe and sound.

During FY 2022, our examiners will continue to monitor credit risk remotely to keep both our staff and System employees safe during the COVID-19 pandemic. Our examiners will resume in-person examinations in FY 2022 after community transmission rates of the virus are low enough to do so. We will continue to monitor the effects of the pandemic on the farm economy and farm lenders.

We also are monitoring other challenges to System borrowers, such as low commodity prices, increases in input prices, and adverse weather conditions. Specifically, we are monitoring the effects on credit quality of the intensifying drought in the West and the Great Plains and the wildfires in the western United States.

Building on an initiative we started in FY 2020, we improved our ability to track the System's service to YBS producers in FY 2021 and will continue to do so in FY 2022. We will continue to modernize the collection of YBS data, making the process more automated and consistent. Through enhanced data quality, we will be able to share best practices with other government agencies and at System events focused on the YBS mission.

For example, we recently partnered with USDA's Farm Service Agency to find specific ways for agricultural lenders to better leverage USDA resources for YBS producers. In addition, our enhanced data collection will allow us to evaluate the growth and performance of YBS programs in the years ahead.

To improve the timeliness and efficiency of our regulatory activities, we will continue to reassess and streamline our approach to regulatory projects in FY 2022. In FY 2021, we developed a collaborative process to carry out the policy direction of the board. This process requires early discussion of regulatory and policy issues among agency leaders. This led to several accomplishments, including a final rule to provide a principles-based update to the standards of conduct regulations and approval of several requests to invest in critical health care infrastructure in chronically underserved areas in rural America.

In addition, we will continue to monitor the hemp industry and provide guidance to the System in FY 2022. For example, in FY 2021, we issued an updated informational memorandum that outlined several factors institutions should consider when extending loans to hemp producers and processors.

Analysis of FCA's Systems, Controls, and Legal Compliance

Strategy for FCA's financial management system

We partner with the Department of the Treasury's Bureau of the Fiscal Service to provide FCA with several financial management services. This shared-services approach helps us maximize efficiency while maintaining a high standard of financial management and accountability.

This partnership gives us access to core financial systems without our having to maintain the necessary technical and systems architectures. Our partnership with the Fiscal Service has also improved our data reliability, which is a requirement of Office of Management and Budget (OMB) M-15-12, Increasing Transparency of Federal Spending by Making Federal Spending Data Accessible, Searchable, and Reliable.

Through our partnership with the Fiscal Service, we use Oracle Federal Financials as our financial system of record. Oracle Federal Financials is a commercial, off-the-shelf software package, which is certified under the Joint Financial Management Improvement Program to meet federal government accounting requirements. This web-based software integrates our key activities, such as e-payroll, e-travel, purchase card activity, and federal investments.

Although we perform all procurement activities in-house, we partner with the Fiscal Service for procurement system services and support. The procurement system is fully integrated with Oracle Federal Financials. This integration enables us to check our funds in real time and to commit and obligate funds as transactions are approved.

By working with the Fiscal Service, we comply with the OMB Financial Management Line of Business initiative, which encourages agencies to improve the cost, quality, and performance of financial management systems by using shared services. The partnership also helps us address the President's Management Agenda cross-agency priority goal for sharing quality services.

Collaborating with the Fiscal Service also facilitates our continued goals of financial management improvement by ensuring that our financial systems are up to date and in compliance with the latest Treasury and OMB guidance. Internally, we continue to work on streamlining our business processes to ensure efficient and effective financial management operations.

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act (FMFIA) requires federal agencies to establish and maintain a system of internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.

The management control objectives under the FMFIA are to reasonably ensure the following:

- Obligations and costs comply with applicable laws.
- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriations.
- Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.

Agencies must evaluate and report on the effectiveness of their internal controls and assess whether their financial management systems comply with requirements outlined in section 4 of the FMFIA.

Through our financial management system strategy, management control program, and compliance with applicable laws and regulations, we ensure our compliance with the FMFIA.

Management control program

We have established management controls to meet the objectives of section 2 and section 4 of the FMFIA. Our system of internal control conforms with the Government Accountability Office's Standards for Internal Control in the Federal Government (Green Book).

Our internal controls are designed to provide reasonable assurance that transactions are properly recorded, processed, and summarized to permit the preparation of financial statements and that assets are safeguarded.

Our program offices are responsible for implementing and maintaining effective risk management practices and internal controls to ensure (1) alignment of strategic goals with the agency's mission, (2) effective and efficient operations, (3) reliable reporting, and (4) compliance with applicable laws and regulations.

We conduct risk-based internal control assessments in accordance with OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, and applicable appendices. Based on the results of the assessments, we have reasonable assurance that controls over operations, reporting, and compliance with laws and regulations are designed and operating effectively.

In addition, our independent financial statement auditor reported that we maintained effective internal control over financial reporting and compliance with applicable laws and regulations. The auditor did not report any material weaknesses or significant deficiencies.

Prompt Payment Act

We follow the Prompt Payment Act guidelines, which call for vendors generally to be paid 30 days after receipt of a valid invoice for goods and services ordered and delivered.

During FY 2021, we paid all invoices within the time requirement, thus resulting in $0 in interest penalties. Payments are made by electronic funds transfer through the Secure Payment System.

Debt Collection Improvement Act

The Debt Collection Improvement Act of 1996 prescribes standards for carrying out federal agency collection actions and for referring an agency's uncollectible debts to the proper federal agency for collection and litigation. The act has no material effect on us because we operate with virtually no delinquent debt.

This act was amended by the Digital Accountability and Transparency Act of 2014 (DATA Act) to require that debts outstanding for more than 120 days be transferred to the Treasury Department for collection under the Treasury Offset Program. We currently have one debt being serviced by the Treasury Department.

Improper payments

The Payment Integrity Information Act of 2019 requires executive branch agencies to identify programs and activities that may be susceptible to significant improper payments, conduct risk assessments to determine risk factors that are likely to contribute to a susceptibility to significant improper payments, estimate annual improper payment amounts in the susceptible program(s), and report on actions to recover improper payments.

Additional information on our improper payment activities are reported under "Payment Integrity Information Act Reporting" in the "Other Information" section of this report.

Digital Accountability and Transparency Act

The DATA Act was enacted to increase accountability and transparency in federal spending and expand the requirements of the Federal Funding Accountability and Transparency Act of 2006. Since our agency does not receive federal tax dollars, OMB has determined that FCA is not subject to the reporting requirements of the DATA Act.

Inspector General Act

The Inspector General Act of 1978, as amended, requires inspectors general to report to their agency heads and to Congress every six months. The semiannual reports prepared by FCA's Office of Inspector General (OIG) describe its audits, inspections, evaluations, investigations, and other oversight activities.

The FCA OIG posts all audit, inspection, and evaluation reports on its website within three business days of final submission to the FCA board. These reports are also posted on Oversight.gov, which contains OIG reports from across the federal government.

Below is a summary of the recommendations in these reports, as well as our progress in taking corrective action.

Summary of OIG audit, inspection, and evaluation activities

The OIG issued six audit, inspection, or evaluation reports during FY 2021, resulting in 19 new recommendations. At the beginning of this fiscal year, nine recommendations remained open from prior years. Over the course of FY 2021, 24 of the total 28 open recommendations were closed. As of Sept. 30, 2021, four remained open. The reports are available on the FCA OIG's website at www.fca.gov/about/inspector-general-plans-and-reports. The OIG issued the following reports in FY 2021.

- The Farm Credit Administration's Compliance with the Federal Information Security Modernization Act for Fiscal Year 2020 (Oct. 30, 2020): The audit produced eight recommendations.
- Audit of the Farm Credit Administration's Financial Statements (Nov. 12, 2020): The audit produced no recommendations.
- Farm Credit Administration's Compliance with Executive Order 13950 on Combating Race and Sex Stereotyping (Dec. 18, 2020): The inspection produced no recommendations.
- Farm Credit Administration's Employee Separation Process (Feb. 9, 2021): The audit produced six recommendations.
- Survey of Farm Credit Administration Employees on COVID-19 (June 9, 2021): The inspection produced one recommendation.
- The Office of Secondary Market Oversight's Examination Policies and Procedures (Sept. 24, 2021): The audit produced four recommendations.

Summary of OIG recommendations

Open recommendations as of Oct. 1, 2020	9
New recommendations during FY 2021	19
Recommendations closed during FY 2021	24
Open recommendations as of Sept. 30, 2021	4
Recommendations open more than one year	0

OIG survey of FCS institutions regarding the agency's examination function

The OIG conducts a quarterly survey of FCS institutions on our examination function and examiners. The OIG generally issues semiannual reports and a fiscal year summary report to the FCA chief examiner and the FCA board. In April 2020, in response to the COVID-19 pandemic, FCA reduced its examination activity in the interest of minimizing travel for its examiners and reducing the burden on Farm Credit System institutions during the pandemic. In turn, the OIG paused the quarterly survey process. OIG resumed its quarterly survey of System institutions beginning with the second quarter of FY 2021 and plans to issue one report for the second, third, and fourth quarter results. OIG added two questions to the survey addressing the efficiency and effectiveness of communications with FCA examination staff for those examinations that were conducted remotely.

FCA's compliance with improper payments reporting requirements for FY 2020

The OIG determined that FCA complied with improper payment reporting requirements applicable to the agency for FY 2020. In accordance with the Payment Integrity Information Act of 2019, and implementing guidance, the OIG issued the conclusion to the FCA board and required oversight bodies on May 17, 2021.

Statement of Assurance

The Farm Credit Administration's management is responsible for managing risks and maintaining effective internal control and financial management systems that meet the objectives of sections 2 and 4 of the Federal Managers' Financial Integrity Act (FMFIA).

FCA has considered risk management practices in the design of internal controls and in the assessment of their effectiveness. We conducted our assessment of risk and internal controls in accordance with OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. Based on the results of this assessment, we can provide reasonable assurance that the internal controls over financial reporting and operational and compliance objectives were operating effectively as of Sept. 30, 2021. No material weaknesses were found in the design or operation of the internal controls.

As part of our evaluation process, we considered the results of extensive testing and assessment across the organization, as well as independent audits, to provide our unmodified statement of assurance.

Glen R. Smith
Chairman and Chief Executive Officer
FARM CREDIT ADMINISTRATION

September 30, 2021

Program Performance

This section discusses FCA's performance in achieving the goals and strategic objectives identified in the agency's Strategic Plan for Fiscal Years 2018–2023. This section also details the actions we are taking to achieve our goals and the targets we are using to measure our success.

We use the June 30 end date for reporting on operational performance measures because the information statements for the fourth quarter arrive after the November submission deadline for this report. However, for Goal 3—Performance measures and results for workforce management—we report the results for the federal fiscal year, as of Sept. 30, 2021.

FCA Performance Report

FCA's mission is to ensure that System institutions and Farmer Mac are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America.

We fulfill our mission by (1) issuing regulations and implementing public policy and (2) identifying risk and taking corrective action. The FCA board has adopted three strategic goals:

- Ensure that the FCS and Farmer Mac fulfill their public missions for agriculture and rural areas.
- Evaluate risk and provide timely and proactive oversight to ensure the safety and soundness of the System and Farmer Mac.
- Cultivate an environment that fosters a well-trained, motivated, and diverse staff while providing an effective plan for leadership succession.

Our Strategic Plan for Fiscal Years 2018 – 2023 contains a desired outcome for each goal, as well as 19 strategies we are using to meet these goals. In addition, we have 14 performance measures with associated targets to measure our success in meeting our goals.

The strategic plan addresses the changing environment facing agriculture: commodity and input price volatility; sustainability, environmental, food safety, and animal welfare issues; fluctuating interest rates and land values; diversity; and pressure to reduce subsidies and support payments in the 2018 Farm Bill.

The plan focuses on helping the agency operate effectively and efficiently; minimizing costs for FCS borrowers and Farmer Mac customers; and helping ensure a safe, sound, and dependable source of credit and financially related services for agriculture and rural America.

Data validation and verification

FCA ensures the completeness, reliability, and quality of all reported information included in this report through validation of performance data and other information contained in this section. These efforts primarily entail regular internal agency processes for ensuring accurate data generation, entry, and reporting; data integrity; and independent peer review.

FCA's data validation and verification include the following:

- Use of applied measurement techniques to identify sources, validate data, and generate meaningful information
- Identification and implementation of authoritative sources, calculations, and standards
- Use of automated data collection systems and reporting whenever available
- Use of automated data checking procedures in addition to manual verification
- Analysis of data and identification of possible discrepancies for resolution
- Implementation of controls, such as restricting permissible values, flagging outliers for review, and doing visual checks of results in development stages of dashboards and reports before deployment
- Reviews by data owners and data users
- Consolidation and deployment of enterprise tools for standardized reporting
- Independent quality assurance reviews before reports are issued
- Review and discussion of performance results with the executive leadership team

Goals

As our performance results show, we succeeded in meeting the three strategic goals described below. Summary tables that follow the goals outline our performance measures and results. Each goal reflects our mission of ensuring that Farm Credit System institutions and Farmer Mac are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America. The performance measures and targets were established in the FCA Strategic Plan Fiscal Years 2018–2023.

Goal 1 — Ensure that the FCS and Farmer Mac fulfill their public missions for agriculture and rural areas.

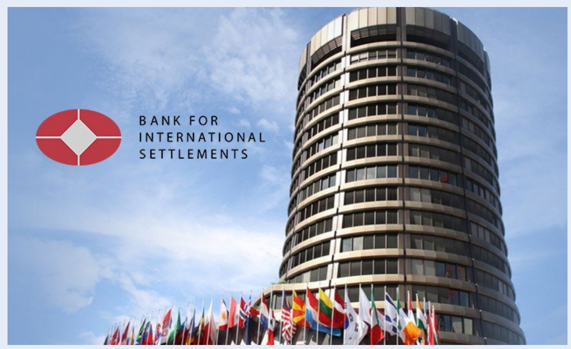
In our Strategic Plan for Fiscal Years 2018–2023, we established this goal to meet the credit and related financial service needs of agricultural producers as the agricultural industry changes. Agricultural production and processing methods are evolving and becoming more integrated. The demographics of farmers and agricultural producers are gradually changing. The varieties and types of food and fiber production continue to grow. Trends, such as heightened demand for locally grown and specialty foods, and the growth in urban agriculture, are creating additional options for persons interested in becoming farmers, ranchers, and agricultural suppliers and distributors.

The purpose of goal 1 is to maximize the ability of the FCS and Farmer Mac to fulfill their purposes and meet their public missions as defined by Congress in the Farm Credit Act of 1971, as amended. We established nine strategies to accomplish this goal, and we defined six performance measures to evaluate our progress and success.

Goal 1, Strategy 1: Ensure that the capital rules for the FCS and Farmer Mac are consistent with standards for the financial service industry and preserve their financial strength and stability so they can meet the credit needs of eligible borrowers.

The FCA board adopted a final rule in March 2016 that revised our capital rules for FCS banks and associations and provides clearly defined capital standards that are both consistent with Basel III and appropriate for the farmer-owned cooperative Farm Credit System.

BASEL refers to the Basel Committee on Banking Supervision, located in Basel, Switzerland, where the Bank for International Settlements is headquartered. This committee's primary job is to produce guidelines for financial regulators of the G-20 countries with the goal of aligning regulatory rules around the world. FCA is not required to comply with BASEL guidelines, but we consider them in all rulemakings. BASEL I, II, and III represent the various significant changes or iterations in capital guidelines.



In FY 2017, we updated our Financial Institution Rating System benchmarks for capital and our examination guidance and examiner training to ensure that FCS institutions implement the capital rules properly. We also issued an informational memorandum to the System titled "Implementation of the Tier 1/Tier 2 Capital Framework."

The tier 1/tier 2 capital framework is defined in BASEL III and in FCA regulations. Tier 1 capital represents the highest-quality capital included in regulatory capital ratios. Tier 2 represents the lower-quality capital included in the ratios.

In FY 2016, we issued the capital planning rule requiring an annual assessment of Farmer Mac's capital plan, including capital adequacy modeling and stress testing methodologies.

In FY 2019, we issued guidance on Farmer Mac's interest rate risk management. The guidance makes clear the board of directors' ultimate responsibility for governance of interest rate risk and management's role in the design and execution of measurement systems for interest rate risk.

Goal 1, Strategy 2: Within the framework of the Farm Credit Act, develop and update policies and regulations as appropriate so that the System, including Farmer Mac, can continue to effectively serve its members as conditions in agriculture and rural America change.

The following actions are examples of ways we have used this strategy in FY 2021:

- Issued guidance on making loans through the Paycheck Protection Program
- Issued guidance to the System on transitioning away from the London Interbank Offered Rate (LIBOR)
- Issued guidance to the System on managing challenges associated with the COVID-19 pandemic
- Issued guidance to the System on identifying and executing criminal referrals on suspected violations of federal laws or regulations.
- Issued guidance to the System on maintaining and using stockholder lists.
- Issued a final rule governing the amortization limits on certain loans
- Issued a final rule governing the eligibility of investments made by the System's associations
- Issued a final rule governing district financial reporting
- Issued a proposed rule governing collateral evaluations
- Issued an advance notice of proposed rulemaking on liquidity reserve requirements
- Issued a notice and request for comment on interagency questions and answers on flood insurance
- Continued to study the loan syndication market
- Approved a direct final rule to eliminate requirements for Farmer Mac to submit paper copies of certain reports to FCA
- Issued guidance to Farmer Mac outlining expectations to protect the corporation from ransomware attacks

As part of every rulemaking project, we consider ways to reduce the burden of existing rules and to minimize the regulatory burden of the rule being proposed. Also, we regularly solicit public comments on regulations that are unnecessary, unduly burdensome, or not based on law; our most recent solicitation was in May 2017.

We routinely provide guidance to System institutions to protect their safety and soundness and to help them manage risk. This guidance facilitates the flow of funds to agriculture and rural areas by providing System institutions with sound practices to follow in developing and implementing lending programs. We also provide guidance related to internal controls and information technology. Ultimately, our guidance helps institutions manage loan and funding programs more efficiently.

Farmer Mac continues to enhance its relationships with its loan sellers, servicers, and other business partners by holding informational forums, providing updates to its formal servicing guidelines, and performing internal credit reviews. Our Office of Secondary Market Oversight evaluates Farmer Mac's efforts to strengthen these relationships.

We support advances in Farmer Mac's product offerings within the bounds of safety and soundness and the provisions of the Farm Credit Act. Our communication, examination reports, and off-site monitoring of Farmer Mac provide timely guidance to management on the possible risks associated with new products and policies. Over the reporting period, we provided Farmer Mac with guidance on regulatory compliance issues, policy direction, and questions regarding new products and services.

In addition, we continue to advance regulatory rulemaking projects on topics related to capital and margin and liquidity reserve requirements. We are also working to enhance our data management and collection and to update other areas of supervisory guidance.

Goal 1, Strategy 3: Emphasize the public purpose and mission-related responsibilities of the agricultural government-sponsored enterprises (GSEs) to serve all of agriculture and rural America. This includes innovative programs for serving the credit and related service needs of young, beginning, and small (YBS) farmers, ranchers, and producers and harvesters of aquatic products.

FCA examiners evaluate the operating and strategic plans and the credit delivery programs of System institutions. We also evaluate System outreach efforts and best practices for serving the credit and related service needs of all creditworthy, eligible customers.

In addition, our examiners evaluate each institution's YBS farmer and rancher program relative to the demographics of its chartered territory. These evaluations help examiners identify trends in lending to YBS farmers and ranchers and assess the System's efforts to provide financial and business management assistance and outreach to YBS farmers and ranchers.

Over the past several years, FCA has worked with the System to improve management, monitoring, data quality, and reporting of this critical segment of the market. FCA staff members are now developing a proposed YBS rule. We expect this rule to lead to the creation of a rating system that evaluates each institution's program and measures each institution's year-over-year progress in lending and nonlending support provided to the YBS population.

When evaluating YBS programs, we continue to assess the extent to which FCS institutions use loan guarantee programs. We encourage System institutions to work with federal and state agencies that offer such programs. For example, we encourage institutions to meet the requirements to qualify for the USDA Farm Service Agency's "preferred lender" status.

Not only can loan guarantees help institutions manage risk, they also help borrowers obtain the funding they need. We encourage System institutions to use loan guarantees to make loans to YBS borrowers with limited financial capacity and to existing borrowers with temporary financial difficulties.

We validate compliance with YBS laws and regulations through our risk-based oversight and examination processes. All the YBS programs we evaluated during the reporting period were in compliance with YBS regulations. Each year, we survey FCS associations regarding their YBS programs. With the information received, we prepare a YBS annual report that we publish in our Annual Report on the Farm Credit System.

FCA regulations require each direct-lender System institution to include in its operating and strategic business plan a marketing plan with strategies for providing the institution's products and services to all creditworthy and eligible persons. With one exception, all FCS institutions had adequate marketing plans to provide products and services to all creditworthy and eligible persons. That institution is working to resolve its situation. In addition, each institution must report annually to its board of directors on the progress it has made in this area. We review these reports and evaluate the System's progress in meeting this requirement. As part of our examination activities, we also review institution annual reports and encourage institutions to include a discussion of how they are meeting their mission.

We evaluate the extent to which Farmer Mac has accomplished its mission as well. Farmer Mac's customer base includes financial institutions and other lenders that seek a secondary market for their agricultural, rural housing, and rural utility cooperative loans. We evaluate Farmer Mac's performance in reaching out to all potential customers and in creating easy access to its services.

Farmer Mac submits an annual mission report to FCA. This report includes data on Farmer Mac's participation in federal guarantee programs, the geographic distribution of Farmer Mac's program business, the proportion of fixed- versus variable-rate loan volume, and activity related to rural utilities. In addition, the report highlights activity related to small and family farms, which Farmer Mac is required by statute to promote and encourage. These reporting requirements encourage Farmer Mac's business development staff to focus on the credit needs of small and family farms when working with its lender customers.

Goal 1, Strategy 4: Encourage the System to provide products and services to all creditworthy and eligible potential borrowers and to promote outreach to enhance diversity and inclusion.

Our examinations assess the System's efforts to provide financial or business management assistance and outreach to all creditworthy, eligible customers, including YBS farmers and ranchers. The System continues to implement programs to meet the needs of YBS producers and other borrowers.

The business plan of each direct-lender institution must include strategies and actions to market the institution's products and services to all eligible and creditworthy persons, with specific outreach toward diversity and inclusion within each market segment. We evaluate the System's progress in meeting this requirement. We have updated our examination guidance and communications with the System to clearly convey our minimum expectations regarding business plans, including our expectations regarding diversity and inclusion requirements.

In addition, we review borrower inquiries and complaints about the lending process and investigate any allegations of discrimination. During the reporting period from July 1, 2020, through June 30, 2021, we responded to 30 borrower inquiries. Our investigations did not discover any pattern or practice of deliberate discrimination or an unwillingness of FCS institutions to serve eligible customers within their chartered territories. We also found that System institutions continued to comply with equal credit opportunity and equal housing laws. However, our examinations did identify one institution with weaknesses in complying with federal lending and borrower rights regulations. We are in the process of verifying the appropriateness of corrective actions taken by institution management to address the weaknesses.

We are also concerned about the needs of farmers with disabilities and farmer veterans. In previous years, we have held presentations on these topics to raise awareness among our staff about the challenges these individuals face. In 2016, members of our staff met with the USDA undersecretary to discuss ways to better meet the credit needs of farmer veterans.

To ensure that Farmer Mac meets its responsibility to promote and encourage the inclusion of small and family farms in its programs, we have developed certain reporting requirements. We also provide Farmer Mac with feedback on various issues, including loan eligibility for prospective new lines of business.

Farmer Mac continues to work to make its programs accessible to all market participants, including those involved in rural utilities and federal agricultural loan guarantee programs. It seeks to ensure equitable treatment of all potential borrowers and the lenders that serve them.

During examinations, we review loans purchased and guaranteed by Farmer Mac to ensure that their underwriting, loan-approval standards, and servicing are appropriate and consistent with established guidance. Further, Farmer Mac's annual mission report includes a section covering its financing of small and family farmers and rural utility cooperatives.

FCA Bookletter (BL-066) "Providing Credit to Farmers and Ranchers Operating in Local/Regional Food Systems" encourages System associations to meet the credit and related service needs of farmers who market their agricultural products through local and regional food systems. It explains that System associations have authority to finance local-food farmers and certain farm-related businesses under existing statutes and regulations and under prior FCA guidance. The bookletter also provides guidance on how the regulations on System strategic business planning and senior officer compensation apply to financing local-food farmers (including those operating in urban areas).

Goal 1, Strategy 5: Encourage diversity on the boards and in the workforce of System institutions.

Our oversight and examination programs include risk-based evaluation of each institution's human capital planning, director elections, and nominating committees. Examination guidance and procedures consider any significant changes in bylaws, policies, control systems, staffing, board membership, board involvement, election processes, or issues related to standards of conduct. As part of our review of the nominating committee's processes and practices, we evaluate the committee's outreach efforts to expand diversity on the board. In 2018, we updated examination guidance on this topic.

As part of the review of human capital management, we may evaluate conditions such as staff turnover levels or changes in key personnel (actual or upcoming), depth of management, changes in compensation and benefit programs or levels, involvement of the compensation committee, and extent of operational weaknesses cited in audit, review, and examination reports that could be connected to human capital issues.

Goal 1, Strategy 6: Consistent with the Farm Credit Act, enable the agricultural GSEs to structure themselves to best serve their members and rural America.

FCA analyzes and approves periodic requests by institutions to restructure or offer new programs designed to better serve their customers.

During 2021, FCA approved the merger of subsidiaries for an association affiliated with CoBank.

At fiscal year-end 2021, the System had 67 associations.

Goal 1, Strategy 7: Encourage System institutions to be conscious of the reputation risk associated with their lending and investments decisions.

We issue guidance on business planning, capital management, portfolio risk management, debt issuance, secondary liquidity sources, and related topics. We also work with FCS-wide committees and groups to discuss challenges, opportunities, and best practices in these areas. Further, we assess System institutions' use of programs undertaken jointly with other financial service providers. Through our supervisory and enforcement activities, we require institutions to develop plans to address any potential reputation risks associated with their lending and investment decisions.

Goal 1, Strategy 8: Promote public trust in FCA's regulatory framework for the System and Farmer Mac by developing policy guidance that supports mission achievement, financial stability, and transparency.

We promote public trust and investor confidence by helping ensure that the System and Farmer Mac meet their missions to serve agriculture and rural America. See strategies 2 and 3 for a discussion of some of the ways we have helped them achieve their missions.

We provide guidance to System institutions to help them better understand their lending authorities and, therefore, to more appropriately market their products and services to prospective eligible customers. We also publish our semiannual Regulatory Projects Plan on our website to notify the public of upcoming regulatory actions so that the public may participate in the regulatory process. Our e-government program allows the public to make comments in electronic format and to review comments from others on our website.

We further support public trust and investor confidence by reviewing borrower inquiries and complaints about the loan-granting process and by investigating any allegations of discrimination. See strategy 4 above for more information about borrower inquiries and complaints.

Farmer Mac, too, has increased its focus on its public mission. Its year-end annual report and Form 10-K filing now include numerous references to its public mission, including a discussion of how pursuing its mission may contribute to lower returns to stockholders. Farmer Mac actively oversees its sellers/servicers, ensuring that loans sold into the secondary market meet its underwriting standards and that processes are in place to detect fraud and operational errors.

The guidance we have provided has had a positive impact on Farmer Mac's public disclosures related to its mission, and we will continue to encourage Farmer Mac to regularly disclose its mission accomplishments.

Goal 1, Strategy 9: Encourage full participation of stakeholders in the development and review of regulatory and policy proposals as appropriate.

We encourage stakeholders to provide input on regulatory proposals before we issue rules. We publish our semiannual Regulatory Projects Plan on our website to notify the public of upcoming regulatory actions. In addition, our e-government program allows the public to make comments in electronic format and to review comments from others on our website.

Where practicable, we solicit input from stakeholders before we publish rules for comment. In some cases, we use advance notices of proposed rulemaking to obtain input. In almost all cases, we publish our proposed rules with comment periods of at least 60 days. For regulatory proposals that relate to the System's GSE mission, we also reach out to nontraditional commenters for their input.

Goal 2 — Evaluate risk and provide timely and proactive oversight to ensure the safety and soundness of the System and Farmer Mac.

In our Strategic Plan for Fiscal Years 2018 – 2023, we included this goal to ensure that FCA, the System, and Farmer Mac can manage data to operate effectively. As the System continues to consolidate and institutions become larger and more sophisticated, our ability to effectively examine and monitor risk becomes even more critical.

To accomplish goal 2, we examine and supervise each System institution and Farmer Mac. We have six strategies to accomplish this goal and six performance measures to evaluate our success.

Goal 2, Strategy 1: Seek early FCA board input on policy and regulatory issues. Ensure that the board has timely and comprehensive information to be fully informed and able to respond appropriately.

The FCA board provides early input on regulatory and policy projects. For regulatory projects, the board provides input before and during the development and approval of the semiannual Regulatory Projects Plan, which outlines our regulatory agenda. For policy projects, the board also provides early input; a policy project may produce a guidance document, or it may eventually become a regulatory project.

After we've started a regulatory or policy project, board involvement continues to be crucial. We obtain board input regarding the initial issues paper, and we provide board briefings and monthly progress reports throughout the project.

The Office of Examination and the Office of Secondary Market Oversight report important issues at least monthly or as needed to the FCA board. The Office of Examination delivers reports to the board each quarter on the condition of the System. The Office of Secondary Market Oversight also delivers periodic reports to the board on the condition of Farmer Mac.

Goal 2, Strategy 2: Maintain strong and frequent two-way communication with stakeholders on issues of risk and safety and soundness.

FCA management and staff participate regularly in FCS meetings and conferences to answer questions related to regulatory and FCS operational issues. We also use these opportunities to reinforce our expectations regarding these issues and to discuss new regulatory direction. FCA staff members also participate in agencywide workgroups and FCS-wide committees and groups to discuss challenges, opportunities, and best practices.

Our approach to oversight and examination involves meeting with institution boards and audit committees on risk issues, interim examination activities, and corrective actions. Through direct interaction with System institutions, we hear about emerging issues and acquire a systemic view of issues warranting regulatory attention. Our oversight and examination approach also involves timely written communication through interim activity letters and examination reports. We also regularly communicate with FCS management on upcoming examination practices that may affect their institutions.

Annually, we issue an informational memorandum on our National Oversight Plan in which we identify risk topics that we will emphasize in our examination and oversight of System institutions.

Likewise, we issue an annual informational memorandum to Farmer Mac identifying the focus areas of the current examination cycle. These informational memorandums provide perspective on our concerns and priorities. When needed, we use the supervisory and enforcement process to require institutions to take certain action. In addition, we review borrower inquiries and complaints about the lending process and investigate any allegations.

Goal 2, Strategy 3: Continue proactive oversight of institution-specific and systemic risks.

We proactively identify and evaluate emerging issues that create Systemwide risk and allocate oversight and examination resources based on that risk in accordance with board policy statement 53. FCA continues to prioritize oversight activities according to risk, and we develop individualized oversight and examination plans for each institution. A key element to this approach is the national oversight planning process, which guides our efforts to ensure the safety and soundness of the System. We manage and update this process on a regular basis. We strive to provide timely guidance related to how examinations are conducted and emerging risks.

Through examinations, we routinely evaluate the operations and risk management practices of System institutions, and we share our conclusions and recommendations with System boards of directors. We determine whether FCS institutions have internal control systems and processes to manage their operations and loan portfolios, and whether direct-lender institutions maintain systems that allow them to properly assess the loans and risk exposures in their portfolios. All institutions had adequate internal control programs or adequate corrective actions in place in FY 2021.

Overall, we have found that FCS institutions have adequate lending systems in place and that they continue to enhance these systems. The FCS uses a two-dimensional risk rating system, consisting of a 14-point scale to measure each borrower's probability of default and a set of ratings to measure the borrower's loss given default. The FCS enhances this system through periodic refinements, and we closely evaluate those refinements. The System also performs database querying and stress testing. We consider the following elements when we examine loan portfolios:

- Management of risk concentrations
- Loan underwriting
- Collateral risk management
- Portfolio planning and analysis
- Credit administration
- Risk identification

Goal 2, Strategy 4: Effectively remediate weakened institutions.

We use a risk-based supervisory and enforcement program to respond differentially to the risks and particular oversight needs of FCS institutions. If we discover unacceptable risks, we take action to ensure that the identified risks are mitigated appropriately. Corrective actions include reducing risk exposures; increasing capital and enhancing earnings, which improve an institution's ability to bear risk; and strengthening risk management.

We use a three-tiered supervision program: normal supervision, special supervision, and enforcement actions. Institutions under normal supervision are performing in a safe and sound manner and operating in compliance with applicable laws and regulations. These institutions are able to correct identified weaknesses in the normal course of business.

For those institutions displaying more serious or protracted weaknesses, we shift from normal to special supervision, and our examination oversight increases accordingly. Under special supervision, we give an institution clear and firm regulatory guidance to address weaknesses, and we allow the institution time to correct the problems.

If informal supervisory approaches have not been or are not likely to be successful, we use our formal enforcement authorities. We may take an enforcement action for several reasons:

- A situation threatens an institution's financial stability.
- An institution has a safety and soundness problem or has violated a law or regulation.
- An institution's board is unable or unwilling to correct problems we have identified.
- Our enforcement authorities include the following powers:
  - To enter into formal agreements
  - To issue cease-and-desist orders
  - To levy civil money penalties
  - To suspend or remove officers, directors, and other persons

If we take an enforcement action, the FCS institution must operate under the requirements of the action and report back to our agency on its progress in fulfilling the requirements. Our examiners oversee the institution's performance to ensure compliance with the enforcement action. As of June 30, 2021, there were no formal enforcement actions in place.

Goal 2, Strategy 5: Ensure that technology, information management, and cybersecurity awareness are priorities at FCA and in the FCS.

Through the FCS Loan Database Project, we built an enterprise system for the dependable collection and storage of data for examination activities and systemic risk analysis. The loan database provides a robust dataset for analyzing institution loan portfolios and facilitating the loan review activities of the Office of Examination. It also supports Systemwide risk analysis.

We previously established uniform instructions for the timely and reliable reporting of accounts. We also worked with the System to improve data quality, systems, and analysis capabilities. This improvement effort included adding the ability to identify shared assets and systemically significant customers by incorporating into the dataset both the System shared-asset and customer numbers and the attribution data on the largest System customers.

We deployed an agency-level data mart/data cube environment, which is a centralized data warehouse for transactional and indicative data provided by each financial institution in the Farm Credit System.

In 2021, we continued to improve our examination processes by using technology more effectively:

- We continued the redesign of the collection process for System Call Report data.
- We continued developing and implementing new business intelligence tools and analysis applications for examiners to leverage the agency's various information sources, including the data mart, for analytical purposes.
- We continued enhancements to the EDGe Loan Workpaper, a web-based application that accesses the FCS Loans2 database.
- We continued improvements to the FCS Loan Database.
- We continued developing and integrating new management reports and examination tools as part of the EDGe project.
- We continued improving connectivity to System institutions through videoconferencing, teleconferencing, and electronic access to loan files.

We continually evaluate whether institutions are maintaining systems to analyze their portfolio risk and borrower profiles. We review their processes and tools for analyzing sensitivity andstress. In December 2018, we issued a System memorandum on cybersecurity risks titled "Use of personal email and cybersecurity concerns." In June 2021, we issued an informational memorandum titled "The increase in ransomware attacks and how to protect critical data" to provide System institutions with guidance to protect critical data against ransomware attacks.

Goal 2, Strategy 6: Ensure that strong governance, standards of conduct, and ethical behavior are part of the organizational culture of the FCS.

We evaluate the compliance of System institutions with governance regulations and their adherence to cooperative principles. We evaluate each institution's standards of conduct, ethics, and organizational culture. We share our conclusions and recommendations with System boards of directors. As discussed under goal 2, strategy 4, we use a three-tiered supervision program to ensure that institutions take appropriate measures to mitigate any risks our examiners identify.

Goal 3 — Cultivate an environment that fosters a well-trained, motivated, and diverse staff while providing an effective plan for leadership succession.

In our Strategic Plan for Fiscal Years 2018 – 2023, we established this goal so that we can be an effective organization with the right number of people with the right skills, experiences, and competencies. The purpose of goal 3 is to ensure that FCA maintains a workforce that can carry out its mission.

We have four strategies to accomplish goal 3 and two performance measures to evaluate our success. The data cited for this goal are for the federal fiscal year ended Sept. 30, 2021.

Goal 3, Strategy 1: Maintain a highly skilled and diverse workforce to meet FCA's current and future regulatory development, risk analysis, examination, and supervision needs.

Our success as an agency depends on our people and the effective use of technology. FCA is committed to having a diverse and inclusive workforce, respecting individuals and their cultures, while complying with merit principles and applicable federal laws. Moreover, FCA is committed to diversity and inclusion throughout the agency to ensure a wide range of experiences, perspectives, and skills to provide better solutions, drive innovation and creativity, and enhance decision making.

Ensuring a diverse and inclusive workforce enables FCA to be more responsive to the institutions we regulate and better equipped to fulfil its mission. FCA is continuing to make strides in recruiting and hiring a diverse workforce. Of 39 hires in FY 2021 (including Pathways Program interns and recent graduates),

- 28.1% are from diverse ethnic and racial groups,
- 10.3% have disabilities, and
- 5.1% have targeted disabilities.

Over the last fiscal year, the Office of Agency Services worked with other offices to increase FCA midcareer hiring to close skills gaps. Midcareer hiring increased notably in FY 2021. In FY 2019 and FY 2020, midcareer hiring represented 10.0% and 9.5% of outside hiring respectively. In FY 2021, midcareer hiring represented 23.8% of overall outside hiring, a 150.0% increase from FY 2020. Many offices increased their outside, midcareer hiring. In FY 2021, the Office of Information Technology, Office of the Chief Financial Officer, Office of Agency Services, Office of Examination, Office of Congressional and Public Affairs, Office of the General Counsel, and Office of Regulatory Policy all hired at least one midcareer employee from an outside organization. In addition, FCA transformed existing positions or created new positions to fill FCA's evolving mission. Several new midcareer opportunities were filled over the past year with internal candidates. The agency created two assistant general counsel positions and a chief diversity officer position that were all filled internally. The Office of Examination created a new deputy director of operations and filled it internally.

The Office of Agency Services closely coordinated and collaborated with senior leaders and hiring managers to recruit, hire, retain, and develop talented individuals from all communities and to create an environment in which employees can do their best work. We upgraded our information technology infrastructure to improve our ability to work; collaborate; gather information; and review, approve, and store work products. As a result, our workforce has become even more effective and efficient as demonstrated by our exemplary performance during the pandemic.

To ensure we continue to attract and retain a diverse, highly skilled workforce, we did the following during FY 2021:

- Continued to assess staffing needs, discontinuing functions no longer required, offering development options to those affected by the discontinuation of those functions, and identifying new staffing requirements
- Promoted awareness of internal career growth and developmental opportunities by sharing job opportunities in the agency's internal newsletter
- Continued to foster transparency and inclusiveness in the selection process, including using selection panels, behavioral interviews, and second assessment hurdles
- Continued to update policies and procedures to foster consistency in approach and to leverage organizational best practices
- Continued to implement enhancements to the onboarding process
- Continued to provide aspiring leaders the necessary skills and experiences to lead while responding to the challenges of the COVID 19 pandemic by doing the following:
  - Supporting participation in OPM's LEAD (Leadership Education and Development) Institute Program
  - Purchasing leadership development curriculum access — 50 licenses from Skillsoft
  - Coordinating participation of 34 FCA leaders and aspiring leaders in tailored workshops by the Partnership for Public Service on engagement, with topics such as appreciation, communication, and empowerment
- Collaborated with external service providers and internal stakeholders to develop and deliver a three-day leadership development summit to ensure compliance with 5 CFR § 412.202 (building and leading teams, employee engagement, conflict management, effective communication, and using feedback to improve employee performance). Over several months, we sourced and created training resources directly aligned to the agency-specific learning needs of our supervisors, managers, and executive leadership. Leaders were strongly encouraged to participate and set an example for staff on the importance of continual learning and development. To provide maximum flexibility for our leaders to participate in these dynamic and informative sessions, we provided multiple training opportunities that included the following:
  - Live, instructor-led virtual training in partnership with the Federal Employee Law Training Group (topics included performance management, reasonable accommodation, employee relations, and the Family Medical Leave Act). The average number of attendees for each session was 46.
  - CyberFEDS eTraining microlearning sessions on topics that meet the requirements in 5 CFR § 412.202.
- Expanded team-based developmental learning by doing the following:
  - Delivering several agencywide webinars focused on a variety of coaching principles to help foster employee engagement and inclusion.
  - Piloting team-based learning focused on developing team coaching skills. The Learning and Organizational Change Team will explore opportunities to expand the pilot across the agency to support a culture of learning and development.
- Continued to promote work-life balance approaches, leveraging lessons learned from the agency's response to the pandemic
- Leveraged opportunities to recruit individuals with disabilities and to use special hiring authorities (e.g., Schedule A and veterans hiring)
- Offered additional opportunities for staff to engage with senior leaders by delivering the agency's Meet the Leader Program in a virtual environment. This program is a unique opportunity that allows new hires to learn more about

FCA culture and interact with senior executives through small team discussions. During FY 2021, the Learning and Organizational Change Team coordinated three meet the leader sessions (October 2020, April 2021, and July 2021) for a total of 56 new hires and interns. These sessions continue to receive positive feedback from both participants and leadership.

- Administered a one-question "pulse survey" to gather feedback on employees' perceptions of FCA's response to the pandemic. The agency successfully used this feedback to develop and implement responsive initiatives to support employees during this unprecedented time, earning the agency the distinction of the number one ranking in the Partnership for Public Service's ranking of agencies' responses to the pandemic in its 2021 Best Places to Work initiative.

Goal 3, Strategy 2: Facilitate the development of the skills our workforce needs to evaluate FCS risk and provide timely and proactive oversight.

In FY 2021, FCA continued to devote significant resources to training new examiners through our examiner commissioning program. In addition, we increased our focus on helping midcareer staff develop their skills.

Through our examiner commissioning program, we are building a diverse cadre of highly motivated examiners, ensuring they have the knowledge, skills, and talents necessary to accomplish the agency's mission. The program helps examiners develop their skills in FCA's primary areas of oversight—credit, finance, and operations, as well as examination management.

We also invest in the development of our commissioned examiners through human capital planning, examiner career development, and specialty programs. The specialty programs enable examiners to gain technical expertise and encourage them to pursue professional development and certification.

For example, we took the following measures:

- Trained examination staff in the technical and soft skills they need.
- Provided opportunities for commissioned examiners to develop their careers further by completing specialist programs (for credit, finance, operations, and examination management) to ensure they have the expertise and credibility to carry out our mission. This included a partnership with Virginia Tech to develop and deliver for-credit, graduate-level courses in agricultural and applied economics. The integration of these learning programs into the agency have shown a positive impact on current performance, the agency's bench strength, and reducing unforced attrition.
- Helped our examiners maintain their readiness to administer elevated supervision when necessary.
- Ensured that all our examiners understand our risk supervision approaches and how to implement them.

Goal 3, Strategy 3: Ensure adequate succession planning and knowledge transfer to ensure that future FCA leadership and staff possess the knowledge and skills required to be an effective arm's length regulator.

We have updated our examiner career development program to help us replace retiring managers and supervisors by developing the leadership, management, and supervisory skills of our examiners. Our strategy is to develop a pool of candidates who could become successful supervisors and managers, including director of the Office of Examination. We recognize that retirements also create opportunities for diversity and inclusion in management.

We use the following methods to develop our next group of program managers and leaders:

- Creating leadership positions for program and portfolio managers
- Providing selected candidates with formal leadership training, on-the-job training, and opportunities to participate in other projects. In FY

2021, the Learning and Organizational Change Team created and piloted virtual training on the topic of "stay interviews" for all supervisors. The session focused on making performance management discussions more useful. Pilot feedback was overwhelmingly favorable, and comments were integrated into the final design. The session was made available to all supervisors and managers.

- Helping staff build skillsets by providing developmental assignments, such as serving as examiners-in-charge of complex institutions, completing special projects, and participating in Office of Examination specialist programs
- Providing internal rotational assignments between divisions in our Office of Examination
- Offering opportunities for Office of Examination employees to work in other FCA offices

To transfer knowledge from more tenured examiners to the new generation of examination staff, we use developmental initiatives. Our ongoing project to update the FCA Examination Manual also provides opportunities for knowledge transfer.

Goal 3, Strategy 4: Encourage a workplace culture that motivates staff to be engaged, embraces diversity in all its forms, and promotes strong ethical behavior.

According to the 2020 Federal Employee Viewpoint Survey, FCA's overall employee engagement index increased by 5 points, from 79 to 84 as reflected in table 7.

Since 2017, FCA has been ranked by the Partnership for Public Service as one of the top five best places to work among small federal agencies. We promote engagement in various ways, such as providing training and development opportunities for employees to build their skills and advance their careers.

We also strengthen engagement by having an inclusive workplace. For example, our Special Emphasis Programs, such as the Federal Women's Program Committee, Blacks in Government, and HOLA-FCA (Hispanic Organization for Leadership and Advancement), sponsor regular presentations on issues affecting women and minority groups. And each year we have a Diversity Day on which we celebrate the diverse cultures represented in our workplace. However, in FY 2020 and FY 2021, Diversity Day was canceled because of the pandemic.

We also strive to increase workforce diversity. We target at least 25% of our recruiting efforts toward potential applicants who have a disability or who are members of a minority group. For example, during each recruiting season, we attend career fairs at historically Black colleges and universities and schools with a high rate of minority enrollment.

Table 7. 2020 Federal Employee Viewpoint Survey results for employee engagement

Employee Engagement	Governmentwide	Small Agencies	Farm Credit Administration 2019	Farm Credit Administration 2020	Change in points
Overall	72	75	79	84	5
Leaders lead	62	64	70	77	7
Supervisors	80	83	89	93	4
Intrinsic work experience	76	78	79	84	5
Global satisfaction	69	71	83	85	2

And as a financial banking regulator, we emphasize ethical conduct among all employees. In 2011, our board adopted a policy statement on ethics, independence, and our role as an arm's length regulator. This document states the following:

- The FCA board will continue to hold itself to the highest standards of ethical conduct in recognition that its commitment and adherence to the agency ethics program sets the standard for the commitment and conduct of agency staff.
- FCA board members and employees must remain mindful of their duty to make independent determinations on matters being considered by the agency.
- As the arm's length regulator of the Farm Credit System, FCA is committed to carrying out its work without any undue influence, favoritism, or special access.
- Our ethics program performs the following functions:
  - Oversees financial disclosure reporting (that is, the completion of public, confidential, and certification forms) of covered FCA and Farm Credit System Insurance Corporation (FCSIC) employees
  - Provides ethics counseling to FCA and FCSIC employees
  - Provides ethics training to all covered FCA and FCSIC employees annually, as well as to new employees during orientation
  - Provides a liaison to coordinate with other government agencies regarding ethics issues
  - Helps develop regulations and policies related to ethics

Table 8a. Goal 1 — Performance measures and results for public mission

July 1, 2020, to June 30, 2021

Measure 1: Percentage of FCS institutions providing products and services that serve credit-worthy and eligible persons and perform outreach to enhance diversity and inclusion.

Results: FCA regulations require each direct-lender System institution to include in its operating and strategic business plan a marketing plan with strategies for providing the institution's products and services to all creditworthy and eligible persons. The Office of Examination has updated examination guidance and communications with the System on FCA's minimum business plan expectations beyond regulatory compliance, including diversity and inclusion requirements. Annually, we review all System institutions business plans for compliance with FCA regulations and examination guidance. In 2021, 99% of FCS institutions had satisfactory operating, marketing, and strategic plans for providing products and services to all creditworthy and eligible persons. One institution did not meet this standard because it had an inadequate marketing plan. That institution is working to resolve its situation.

2016 Target	2016 Results	2017 Target	2017 Results	2018 Target	2018 Results	2019 Target	2019 Results	2020 Target	2020 Results	2021 Target	2021 Results	Results vs. target
≥90%	100%	≥90%	100%	≥90%	100%	≥90%	100%	≥90%	99%	≥90%	99%	▲

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables: ≥ is greater than or equal to; N/A indicates either that the measure is not applicable or that FCA's performance could not be measured; ▲ indicates we exceeded the FY 2021 target; ✓ indicates we achieved the FY 2021 target; ▼ indicates we did not meet the FY 2021 target.

Notes: In April 2018, the FCA board adopted the FCA Strategic Plan for FYs 2018 – 2023. The performance measures in the new plan remain substantially the same as the measures in the previous plan.

Measure 2: Whether Farmer Mac's business plan contains strategies to promote and encourage the inclusion of all qualified loans, including loans to small farms and family farmers, in its secondary market programs, and whether its business activities further its mission to provide a source of long-term credit and liquidity for qualifying loans.

Results: Statute requires the Farmer Mac board to promote and encourage the inclusion of qualified loans for small farms and family farmers in the agricultural mortgage secondary market. Farmer Mac achieved this goal in FY 2021. The agency, through the Office of Secondary Market Oversight, monitors Farmer Mac's efforts through a review of its business plan, our ongoing monitoring and oversight, and our annual examination of Farmer Mac. Farmer Mac's business plan contains adequate strategies to promote and encourage the inclusion of all qualified loans, including small and family farm loans, in its secondary market programs. Its business activities further its mission to provide a source of long-term credit and liquidity. The 2021 plan discussed opportunities to enhance relationships and initiatives that provide affordable financial solutions for the benefit of small farms and family farmers, which include minority and women farmers. Farmer Mac submits an annual mission report to FCA, highlighting activity related to small and family farms. Each year, FCA includes a review of mission achievement, and the annual mission report, in the examination of Farmer Mac and documents results and conclusions in the annual Report of Examination.

2016 Target	2016 Results	2017 Target	2017 Results	2018 Target	2018 Results	2019 Target	2019 Results	2020 Target	2020 Results	2021 Target	2021 Results	Results vs. target
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	✓

Measure 3: Percentage of direct-lender institutions with satisfactory consumer and borrower rights compliance.

Results: Our oversight and examination program regularly evaluates compliance with consumer and borrower rights regulations through review of policies, programs, processes, and loans. In 2021, 99% of direct-lender institutions have satisfactory consumer and borrower rights compliance. One institution did not meet this standard because of weaknesses in compliance with federal lending and borrower rights regulations. We are verifying the appropriateness of corrective actions the institution has taken to address the weaknesses.

2016 Target	2016 Results	2017 Target	2017 Results	2018 Target	2018 Results	2019 Target	2019 Results	2020 Target	2020 Results	2021 Target	2021 Results	Results vs. target
≥90%	95%	≥90%	100%	≥90%	97.3%	≥90%	95%	≥90%	96%	≥90%	99%	▲

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables: ≥ is greater than or equal to; N/A indicates either that the measure is not applicable or that FCA's performance could not be measured; ▲ indicates we exceeded the FY 2021 target; ✓ indicates we achieved the FY 2021 target; ▼ indicates we did not meet the FY 2021 target.

Notes: In April 2018, the FCA board adopted the FCA Strategic Plan for FYs 2018 – 2023. The performance measures in the new plan remain substantially the same as the measures in the previous plan.

Measure 4: Percentage of direct-lender institutions with YBS programs for farmers and ranchers that are in compliance with YBS regulations.

Results: Ongoing oversight and examination activities regularly address compliance with mission-related regulations, including young, beginning, and small farmer programs. All direct-lender institutions with YBS programs are in compliance with YBS regulations.

2016 Target	2016 Results	2017 Target	2017 Results	2018 Target	2018 Results	2019 Target	2019 Results	2020 Target	2020 Results	2020 Target	2020 Results	Results vs. target
≥90%	100%	≥90%	100%	≥90%	100%	≥90%	100%	≥90%	100%	≥90%	100%	▲

Measure 5: Whether the majority of objectives listed in the preamble of each final rule were met on the two-year anniversary of the rule's effective or implementation date.

Results: There was one rule that met the reporting requirement. A majority of the objectives listed in the preamble of the final rule was met on the two-year anniversary of the implementation date.

2016 Target	2016 Results	2017 Target	2017 Results	2018 Target	2018 Results	2019 Target	2019 Results	2020 Target	2020 Results	2021 Target	2021 Results	Results vs. target
N/A	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	✓

Measure 6: Percentage of pre–rulemaking projects and proposed rules on which FCA requested input from persons outside of FCA. (This measure considers all the pre–rulemaking projects and proposed rules that were listed as completed on FCA's Unified Agenda Abstracts for the reporting period.)

Results: There were four pre-rulemaking projects or proposed rules that met the reporting requirement; we did request input on these projects or rules from persons outside of FCA. It is our standard practice to request input on all pre-rulemaking projects and proposed rules.

2016 Target	2016 Results	2017 Target	2017 Results	2018 Target	2018 Results	2019 Target	2019 Results	2020 Target	2020 Results	2021 Results	2021 Results	Results vs. target
100%	N/A	100%	89%	100%	100%	100%	100%	100%	100%	100%	100%	✓

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables: ≥ is greater than or equal to; N/A indicates either that the measure is not applicable or that FCA's performance could not be measured; ▲ indicates we exceeded the FY 2021 target; ✓ indicates we achieved the FY 2021 target; ▼ indicates we did not meet the FY 2021 target.

Notes: In April 2018, the FCA board adopted the FCA Strategic Plan for FYs 2018 – 2023. The performance measures in the new plan remain substantially the same as the measures in the previous plan.

Table 8b. Goal 2 — Performance measures and results for safety and soundness

July 1, 2020, to June 30, 2021

Measure 1: Percentage of System assets in institutions with composite CAMELS[1] ratings of 1 or 2.

Results: Ninety-nine percent of System assets are in institutions with composite CAMELS ratings of 1 or 2.

2016 Target	2016 Results	2017 Target	2017 Results	2018 Target	2018 Results	2019 Target	2019 Results	2020 Target	2020 Results	2021 Target	2021 Results	Results vs. target
≥90%	99.7%	≥90%	99.6%	≥90%	98.6%	≥90%	98%	≥90%	99%	≥90%	99%	▲

Measure 2: Percentage of requirements in supervisory agreements with which FCS institutions have at least substantially complied within 18 months of execution of the agreements.

Results: The agency does not have any supervisory agreements in place with FCS institutions.

2016 Target	2016 Results	2017 Target	2017 Results	2018 Target	2018 Results	2019 Target	2019 Results	2020 Target	2020 Results	2021 Target	2021 Results	Results vs. target
≥80%	91%	≥80%	N/A	≥80%	N/A	≥80%	N/A	≥80%	N/A	≥80%	N/A	N/A

Measure 3: Percentage of institutions complying with regulatory capital ratio requirements.

Results: Our oversight and examination program analyzes and reports on capital at least quarterly and in conjunction with the statutory compliance date. All institutions complied with regulatory capital ratio requirements.

2016 Target	2016 Results	2017 Target	2017 Results	2018 Target	2018 Results	2019 Target	2019 Results	2020 Target	2020 Results	2021 Target	2021 Results	Results vs. target
≥90%	100%	≥90%	100%	≥90%	100%	≥90%	100%	≥90%	100%	≥80%	100%	▲

[1] CAMELS is a rating of capital, assets, management, earnings, liquidity, and sensitivity.

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables: ≥ is greater than or equal to; N/A indicates either that the measure is not applicable or that FCA's performance could not be measured; ▲ indicates we exceeded the FY 2021 target; ✔ indicates we achieved the FY 2021 target; ▼ indicates we did not meet the FY 2021 target.

Notes: In April 2018, the FCA board adopted the FCA Strategic Plan for FYs 2018 – 2023. The performance measures in the new plan remain substantially the same as the measures in the previous plan.

Measure 4: Whether the Office of Secondary Market Oversight's examination and oversight plan and activities effectively identify emerging risks, and whether appropriate supervisory and corrective actions have been taken to effect change when needed.

Results: The Office of Secondary Market Oversight's examination and oversight plan effectively identifies risk by outlining focus areas for the examination cycle, assigning risk outlooks to each examination topic area, and establishing a risk-based examination schedule. In addition, an annual informational memorandum identifies specific areas of emphasis during the upcoming examination cycle. These focus areas are identified during the Office of Secondary Market Oversight's annual planning process and are considered for updates as needed based on the results of our ongoing monitoring and oversight. We issue corrective actions to Farmer Mac that warrant the attention of their board and management; the corrective actions we issue aim to improve the overall safety and soundness of Farmer Mac. We evaluate actions taken to address matters requiring attention (MRAs) on a quarterly basis and summarize progress in interim activity letters and the annual Report of Examination. In 2021, actions taken in response to our examination activities strengthened Farmer Mac's operations, and its efforts to address MRAs were satisfactory.

2016 Target	2016 Results	2017 Target	2017 Results	2018 Target	2018 Results	2019 Target	2019 Results	2020 Target	2020 Results	2021 Target	2021 Results	Results vs. target
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	✓

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables: ≥ is greater than or equal to; N/A indicates either that the measure is not applicable or that FCA's performance could not be measured; ▲ indicates we exceeded the FY 2021 target; ✓ indicates we achieved the FY 2021 target; ▼ indicates we did not meet the FY 2021 target.

Notes: In April 2018, the FCA board adopted the FCA Strategic Plan for FYs 2018 – 2023. The performance measures in the new plan remain substantially the same as the measures in the previous plan.

Measure 5: Percentage of institutions with satisfactory audit and review programs, including institutions with acceptable corrective action plans.

Results: Our oversight and examination program specifically emphasizes strong internal controls at all System institutions, including internal controls over financial reporting. All institutions had satisfactory audit and review programs, including institutions with acceptable corrective action plans.

2016 Target	2016 Results	2017 Target	2017 Results	2018 Target	2018 Results	2019 Target	2019 Results	2020 Target	2020 Results	2021 Target	2021 Results	Results vs. target
Yes	Yes	100%	99%	100%	95.9%	100%	97%	100%	99%	100%	100%	✓

Measure 6: Whether five or more reports and dashboards were created that use data collected from the Farm Credit System to assess risk in the System.

Results: The agency exceeded this goal. Numerous tracking and analysis reports and dashboards related to mergers, shared assets, portfolios, and others were created to better spot trends and identify risks.

2016 Target	2016 Results	2017 Target	2017 Results	2018 Target	2018 Results	2019 Target	2019 Results	2020 Target	2020 Results	2021 Target	2021 Results	Results vs. target
N/A[2]	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	✓

[2] This measure was added to the strategic plan the following year.

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables: ≥ is greater than or equal to; N/A indicates either that the measure is not applicable or that FCA's performance could not be measured; ▲ indicates we exceeded the FY 2021 target; ✓ indicates we achieved the FY 2021 target; ▼ indicates we did not meet the FY 2021 target.

Notes: In April 2018, the FCA board adopted the FCA Strategic Plan for FYs 2018 – 2023. The performance measures in the new plan remain substantially the same as the measures in the previous plan.

Table 8c. Goal 3 — Performance measures and results for workforce management

July 1, 2020, to June 30, 2021

Measure 1: Whether, as part of its recruiting efforts for entry-level examiners, FCA has ensured that at least 25% of its outreach efforts target applicants with a disability or who are members of a minority group.

Results: At least 25% of our virtual outreach efforts targeted potential applicants who have a disability or who are members of a minority group.

2016 Target	2016 Results	2017 Target	2017 Results	2018 Target	2018 Results	2019 Target	2019 Results	2020 Target	2020 Results	2021 Target	2021 Results	Results vs. target
N/A[3]	N/A	25%	Yes	25%	Yes	25%	Yes	25%	Yes	25%	Yes	✓

Measure 2: Whether we have maintained or improved our score from last year in the annual employee satisfaction survey.

Results: There are no results for fiscal year 2021 because OPM has delayed the release of the Federal Employee Viewpoint Survey until November 2021. The 2021 results will not be available until next year. The results of the Federal Employment Viewpoint Survey for fiscal year 2020 were released in June 2021. They showed that the Farm Credit Administration had the highest score in the "COVID Overall" response category across all 71 federal agencies that participated. FCA placed in the top five small agencies in the overall ranking of best places to work. The ranking is based on the agency's engagement score, which was 86 — 17 points higher than the governmentwide score, and an improvement from our 2019 results (81).

2016 Target	2016 Results	2017 Target	2017 Results	2018 Target	2018 Results	2019 Target	2019 Results	2020 Target	2020 Results	2021 Target	2021 Results	Results vs. target
N/A[4]	N/A	≥72%	Yes	≥75%	Yes	≥81%	Yes	≥81%	Yes	≥86%	N/A	N/A

[3] This measure was added to the strategic plan the following year.

[4] This measure was added to the strategic plan the following year.

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables: ≥ is greater than or equal to; N/A indicates either that the measure is not applicable or that FCA's performance could not be measured; ▲ indicates we exceeded the FY 2021 target; ✓ indicates we achieved the FY 2021 target; ▼ indicates we did not meet the FY 2021 target.

Notes: In April 2018, the FCA board adopted the FCA Strategic Plan for FYs 2018 – 2023. The performance measures in the new plan remain substantially the same as the measures in the previous plan.

Financial Section

In this section, we present our independent auditors' report and our financial statements and notes. We prepared these statements and accompanying notes in compliance with U.S. generally accepted accounting principles for the federal government and OMB Circular A-136, Financial Reporting Requirements.

Statement of Chief Financial Officer

November 10, 2021

I am pleased to present the Farm Credit Administration's 2021 financial statements and the auditor's report on the financial position of the agency as of the fiscal year ended September 30, 2021. The audit was conducted by an independent public accounting firm contracted with the Office of Inspector General.

Our agency received an unmodified audit opinion on our financial statements for the 28th consecutive year. The auditors concluded that FCA's financial statements are presented fairly, in all material respects, and in accordance with U.S. generally accepted accounting principles.

As part of the financial audit, the auditors assessed our internal controls over financial reporting and compliance with selected provisions of applicable laws, regulations, and contracts that are material to the financial statements. No material weaknesses or significant deficiencies were reported.

Our leadership and staff remain committed to sound financial management practices while supporting and ensuring the safety of our employees as well as the ongoing safety and soundness of the Farm Credit System institutions through the evolving COVID-19 pandemic. We continued to operate effectively and efficiently while complying with federal guidelines and state mandates.

To protect the safety and health of our employees, all travel for institution examinations remained suspended in fiscal year 2021. Our examiners continued to monitor and evaluate risk in the Farm Credit System remotely. With lower operating expenses, we again reduced the assessment amount to the Farm Credit System institutions to further support the agriculture community.

We will continue to operate in a safe and sound manner and ensure agency resources are used appropriately throughout the COVID-19 health crisis. We will continue to comply with federal guidance to support our employees and the Farm Credit System. Our top priority continues to be our core mission: ensuring that the Farm Credit System meets the needs of our nation's farmers, ranchers, and rural communities.

I would like to thank all the FCA financial personnel, as well as the staff from other offices who worked with them, for their conscientious management of agency resources. Our shared commitment to ensuring accountability and transparency in the execution of our fiduciary duties is the foundation of our strong stewardship and ability to deliver reliable financial information to our stakeholders.

Sincerely,

Stephen G. Smith
Chief Financial Officer

Transmittal Letter of Auditor's Report

FCA OIG
Farm Credit Administration
Office of Inspector General

November 10, 2021

The Honorable Glen R. Smith, Board Chairman and Chief Executive Officer
The Honorable Jeffery S. Hall, Board Member
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Dear Chairman Smith and Board Member Hall:

We contracted with the independent public accounting firm Harper, Rains, Knight & Company P.A. (HRK) to audit the financial statements of the Farm Credit Administration (FCA) as of and for the fiscal years ended September 30, 2021 and 2020 and to provide a report on internal control over financial reporting and compliance with laws and other matters. The contract required that the audit be performed in accordance with *Government Auditing Standards*, Office of Management and Budget audit guidance, and the U.S. Government Accountability Office/ Council of the Inspectors General on Integrity and Efficiency's *Financial Audit Manual*.

In its audit of FCA, HRK reported:

- the financial statements were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting and compliance with laws and other matters; and
- no reportable noncompliance with provisions of laws tested or other matters.

In connection with the contract, we reviewed HRK's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on FCA's financial statements or conclusions about the effectiveness of internal control over financial reporting, or on compliance with laws and other matters. HRK is responsible for the attached auditor's report dated November 10, 2021, and the conclusions expressed therein. However, our review disclosed no instances where HRK did not comply, in all material respects, with *Government Auditing Standards*.

Respectfully,

Sonya K Cerne

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

Enclosure

1501 Farm Credit Drive, McLean, VA 22102 703-883-4030 www.fca.gov/about/inspector-general

Independent Auditor’s Report

Harper, Rains, Knight & Company

Independent Auditors' Report

FCA Board and Inspector General
Farm Credit Administration

Report on the Financial Statements

We have audited the accompanying financial statements of the Farm Credit Administration (FCA), which comprise the balance sheets as of September 30, 2021 and 2020, and the related statements of net cost, changes in net position, and budgetary resources, for the fiscal years then ended; and the related notes to the financial statements.

Management's Responsibility

FCA's management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; (2) preparing, measuring, and presenting the Required Supplementary Information (RSI) in accordance with accounting principles generally accepted in the United States of America; (3) preparing and presenting other information included in documents containing the audited financial statements and auditors' report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin 21-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the auditors' assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal

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The FCA Board and Inspector General
Farm Credit Administration (continued)

Auditors' Responsibility (continued)

control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, FCA's financial statements present fairly, in all material respects, FCA's financial position as of September 30, 2021 and 2020, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America issued by the Federal Accounting Standards Advisory Board (FASAB) require that the information in the Management's Discussion and Analysis be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by FASAB who considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditors' inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on FCA's financial statements. The information in the Statement of Board Chairman and CEO, Statement of Chief Financial Officer, FCA Performance Report, and Other Information section contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional

The FCA Board and Inspector General
Farm Credit Administration (continued)

Other Information (continued)

analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements.

The Statement of Board Chairman and CEO, Statement of Chief Financial Officer, Program Performance, and Other Information sections have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audit of FCA's financial statements as of and for the year ended September 30, 2021, in accordance with U.S. generally accepted government auditing standards and OMB Bulletin 21-04, *Audit Requirements for Federal Financial Statements*, we considered the entity's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the entity's internal control over financial reporting. We did not consider all internal controls relevant to operating objectives as broadly established by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to preparing performance information and ensuring efficient operations. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The FCA Board and Inspector General
Farm Credit Administration (continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether FCA's financial statements are free from material misstatement, we performed tests of its compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which would have a direct and material effect on the financial statements. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards and OMB Bulletin 21-04, *Audit Requirements for Federal Financial Statements*. We caution that noncompliance may occur and not be detected by these tests.

Management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the entity.

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to the entity that have a direct effect on the determination of material amounts and disclosures in the entity's financial statements and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to FCA.

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2021 that would be reportable under U.S. generally accepted government auditing standards or OMB Bulletin 21-04, *Audit Requirements for Federal Financial Statements*. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to FCA. Accordingly, we do not express such an opinion.

***Purpose of the Other Reporting Required by* Government Auditing Standards**

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of FCA's internal control or compliance. These reports are an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harper, Rains, Knight & Company, P.A.

November 10, 2021
Washington, DC

Financial Statements

We have prepared the accompanying financial statements in accordance with U.S. generally accepted accounting principles and with the Office of Management and Budget Circular A-136, as amended. For comparison purposes, we present our financial statements and notes for FY 2021 and FY 2020. All amounts are in whole dollars. Our financial statements include the following:

- Balance sheets, which show our assets, our liabilities, and our net position (assets minus liabilities).
- Statements of net cost, which show our net cost of operations. We calculate our net costs by subtracting from our gross costs any revenue we earn. We break the statement of net cost into three program components: public mission, safety and soundness, and other activity.
- Statements of changes in net position, which show the changes in our net position over the two-year period ending Sept. 30, 2021.
- Statements of budgetary resources, which show our resources, the status of our resources, and the outlay of resources during the fiscal year.
- Notes to the financial statements, which clarify and provide additional detail regarding the amounts in the financial statements.

Not all the statements mentioned in Circular A-136 apply to our agency. For this reason, we do not include a statement of custodial activity, a statement of social insurance, or a statement of changes in social insurance amounts.

Balance sheets

As of Sept. 30, 2021 and 2020
(In dollars)

Balance sheet categories	Line item description	2021	2020
Assets	**Intragovernmental**		
	Fund balance with Treasury (note 2)	$896,793	$4,204,180
	Investments (note 3)		
	Federal investments	39,447,090	34,370,600
	Interest receivable — investments	163,522	101,097
	Accounts receivable (note 4)	44,705	31,007
	Prepaid expenses — advances and prepayments	0	2,396
	Total intragovernmental	**40,552,110**	**38,709,280**
	With the public		
	Accounts receivable (note 4)	6,751	13,009
	General property, equipment, and software, net (note 5)	1,487,624	1,803,072
	Prepaid expenses	267,923	214,821
	Total with the public	**1,762,298**	**2,030,902**
	Total assets	**$42,314,408**	**$40,740,182**
Liabilities	**Intragovernmental**		
	Accounts payable	$149,254	$132,622
	Other liabilities (note 7)		
	Other liabilities (without reciprocals)	194,129	162,615
	Benefit program contributions payable	668,224	563,270
	Total intragovernmental	**1,011,607**	**858,507**
	With the public		
	Accounts payable	807,594	384,890
	Actuarial workers' compensation liability (note 6)	1,533,273	1,481,359
	Employer contributions and payroll taxes payable	656,980	595,999
	Deferred revenue	6,474,352	6,331,840
	Accrued payroll and benefits	9,141,457	8,192,979
	Accrued taxes payable	15,973	0
	Total with the public	**18,629,629**	**16,987,067**
	Total liabilities (note 6)	**$19,641,236**	**$17,845,574**
Net position	**Cumulative results of operations**	**$22,673,172**	**$22,894,608**
	Total net position	**22,673,172**	**22,894,608**
	Total liabilities and net position	**$42,314,408**	**$40,740,182**

The accompanying notes are an integral part of these statements.

Statements of net cost

For the years ended Sept. 30, 2021 and 2020
(In dollars)

Agency programs	Program costs	2021	2020
Public mission	Gross costs	$20,209,279	$19,014,091
	Less: Earned revenue	(18,680,718)	(18,082,433)
	Net program cost	$1,528,561	$931,658
Safety and soundness	Gross costs	$62,627,132	$58,420,531
	Less: Earned revenue	(57,887,401)	(55,535,650)
	Net program cost	$4,739,731	$2,884,881
Other activity	Gross costs	$830,844	$781,411
	Less: Earned revenue	(467,605)	(504,831)
	Net program cost	$363,239	$276,580
Net cost of operations (note 8 and note 13)		**$6,631,531**	**$4,093,119**

The accompanying notes are an integral part of these statements.

Statements of changes in net position

For the years ended Sept. 30, 2021 and 2020
(In dollars)

Cumulative results of operations		2021	2020
Beginning balances		$22,894,608	$20,901,814
Other financing sources (Non-exchange)	**Imputed financing sources**		
	Federal employee benefits (note 9)	2,760,095	2,435,913
	Rent (note 9)	3,650,000	3,650,000
	Total financing sources	6,410,095	6,085,913
Net cost of operations		(6,631,531)	(4,093,119)
Net change		(221,436)	1,992,794
Cumulative results of operations		$22,673,172	$22,894,608
Net position		**$22,673,172**	**$22,894,608**

The accompanying notes are an integral part of these statements.

Statements of budgetary resources

For the years ended Sept. 30, 2021 and 2020
(In dollars)

Statement of budgetary resources categories	Line item description	2021	2020
Budgetary resources	Unobligated balance from prior year budget authority, net	$23,124,450	$21,427,515
	Spending authority from offsetting collections	76,457,995	74,878,764
	Total budgetary resources (note 11)	**$99,582,445**	**$96,306,279**
Status of budgetary resources	New obligations and upward adjustments (total)	$76,298,741	$73,181,829
	Unobligated balance, end of year		
	Exempt from apportionment, unexpired accounts	16,809,352	16,792,610
	Exempt from apportionment, not available	6,474,352	6,331,840
	Unobligated balance, end of year (total)	23,283,704	23,124,450
	Total budgetary resources (note 11)	**$99,582,445**	**$96,306,279**
Outlays, net	Outlays, net (total)	(1,161,341)	(2,630,675)
	Distributed offsetting receipts	(25,245)	(199)
	Agency outlays, net (note 13)	**$(1,186,586)**	**$(2,630,874)**

The accompanying notes are an integral part of these statements.

Notes to the financial statements

Note 1. Significant accounting policies

A. **Reporting entity**—We are an independent agency in the executive branch of the U.S. government. We are responsible for regulating and supervising the Farm Credit System (its banks, associations, and related entities) and the Federal Agricultural Mortgage Corporation (Farmer Mac). Specifically, we are empowered to ensure safe and sound operations of all System institutions. Initially created by an executive order of the president in 1933, FCA now derives its power and authority from the Farm Credit Act of 1971, as amended. The act requires us to periodically examine System institutions. Policymaking for FCA is vested in a full-time, three-person board whose members are appointed by the president with the advice and consent of the Senate.

While FCA's board members also serve as the board of directors for the Farm Credit System Insurance Corporation (FCSIC), FCSIC is a separate independent agency from the Farm Credit Administration. FCSIC was established by the Agricultural Credit Act of 1987 in the wake of the agricultural credit crisis of the 1980s. The purpose of FCSIC is to protect investors in Systemwide debt securities by insuring the timely payment of principal and interest on obligations issued by FCS banks. FCSIC does so by maintaining the Farm Credit Insurance Fund, a reserve that represents the equity of FCSIC.

The reporting entity is a component of the U.S. government. For this reason, some of the assets and liabilities reported by the entity may be eliminated for governmentwide reporting because they are offset by assets and liabilities of another U.S. government entity. These financial statements should be read with the realization that they are for a component of the U.S. government.

B. **Basis of accounting and presentation**—The financial statements have been prepared in accordance with OMB Circular No. A-136, as amended. In addition, the financial statements have been prepared on an accrual basis from our books and records in accordance with generally accepted accounting principles and the Statements of Federal Financial Accounting Standards (SFFAS) prescribed by the Federal Accounting Standards Advisory Board, the official body for setting accounting standards for the federal government. Under the accrual method, revenues are recognized when earned, and expenses are recognized when goods or services are received, without regard to receipt of funds or payment of cash. FCA is not subject to apportionment. We have applied budgetary accounting to facilitate compliance with legal constraints and control over the use of funds.

C. **Fund balance with Treasury**—We maintain a revolving, no-year account with the U.S. Treasury through which cash receipts and disbursements are processed. We do not receive appropriated funds. See note 2.

D. **Investments**—The Farm Credit Act gives us the authority to invest in public debt securities with maturities suitable to our needs. We invest solely in U.S. Treasury securities, which are normally held to maturity and carried at cost. Investments are adjusted for unamortized premiums or discounts. Premiums and discounts are amortized, and interest is accrued using the level-yield, scientific method of effective interest amortization over the term of the respective issues. We use interest earned on investments to build and maintain an agency reserve, which allows us to respond effectively and efficiently to unexpected, unbudgeted expenses without increasing assessments. See note 3.

E. **Accounts receivable**—Accounts receivable are composed of reimbursements for FCA administrative expenses according to agreements with other federal entities, assessments from institutions in accordance with the Farm Credit Act and FCA regulations, and any amounts owed FCA that are generated through the normal course of business with employees and vendors.

Amounts due from federal agencies are considered fully collectible. An allowance for uncollectible amounts receivable from the public is established when we have determined that the collection is unlikely to occur after considering the debtor's ability to pay.

The Office of the Chief Financial Officer, in conjunction with the agency's accounting service provider, the Bureau of the Fiscal Service, reviews the agency's accounts receivable on a regular basis. We have determined that all accounts receivable as of Sept. 30, 2021, are fully collectible. See note 4.

F. **Advances and prepaid expenses** — Payments made before the receipt of goods and services are recorded as advances or prepaid expenses at the time of prepayment and are recognized as expenses when the goods and services are received. This process helps to minimize large dollar fluctuations in cost and provides for the recognition of cost based on use. When the prepayment amount has minimal impact on cost, it is more cost-effective to expense the advance or prepayment at the time of payment. We establish advances for prepaid maintenance agreements over $20,000 and for prepaid training exceeding $15,000.

G. **General property, equipment, and software** — Property (including vehicles), equipment, and software are recorded at cost, net of an allowance for accumulated depreciation. Repairs and maintenance costs are expensed as incurred. We capitalize all property and equipment with itemized costs of $50,000 or more and a useful life of two years or more. We also capitalize groups of items that individually are under $50,000 but together meet the bulk purchase criteria of $500,000 or more. We capitalize software when its costs exceed $250,000 and when the software has a useful life of two years or more. We use the straight-line method of depreciation with half-year convention to allocate the cost of capitalized property, equipment, or software over its estimated useful life. See note 5.

H. **Accounts payable** — Accounts payable consist of amounts owed to other federal agencies and the public. We strive to make payments in a timely manner in accordance with the Prompt Payment Act. If payments are late, we pay interest penalties.

I. **Liabilities** — Liabilities may or may not be covered by budgetary or other resources. All our liabilities are covered by budgetary resources except for the actuarial workers' compensation liability (see note 6). Intragovernmental liabilities are claims against us by other federal agencies.

J. **Inter-entity costs** — Goods and services are received from other entities at no cost or at a cost less than full cost to the providing entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by FCA are recognized as imputed cost on the statement of net cost and are offset by imputed revenue on the statement of changes in net position. FCA's inter-entity costs that are reported as imputed costs include federal employee benefits and rent. See note 9.

K. **Annual, sick, and other leave** — Annual leave, compensatory leave, credit hours, and some other types of leave are accrued as a funded liability when earned, with an offsetting reduction for leave taken. The accrued leave liability for each of these types of leave is calculated using current pay rates. Sick leave and other types of nonvested leave are expensed as the leave is taken. Our methodology for calculating the leave liability includes the cost of benefits associated with the compensation. This ensures that our estimated liability for leave reflects the current composition of our staff; nearly all our employees are under the Federal Employees Retirement System instead of the Civil Service Retirement System.

L. **Assessments**—A substantial portion of our revenues is based on direct assessments billed to the System institutions we regulate or examine. We also recognize revenues based on examination services provided by the Office of Examination. We use a formula established in our regulations to calculate assessments. We base each institution's assessment, in part, on its average risk-adjusted assets and its overall financial health.

M. **Deferred revenue**—Any funds received before the beginning of the new fiscal year are considered unearned revenue and are reported as deferred revenue on the balance sheet. These amounts are also reported as "exempt from apportionment, not available" on the statement of budgetary resources.

N. **Use of estimates**—We have made certain estimates and assumptions when reporting assets, liabilities, revenue, and expenses; we have also made estimates and assumptions in the note disclosures. Actual results could differ from these estimates. Some estimates include year-end accruals and accrued workers compensation.

O. **Financial data**—All amounts presented in this report are in whole dollars.

P. **Reclassifications**—Certain amounts presented in the prior years have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net position or budgetary resources.

Q. **Classified activities**—Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information. FCA does not have any classified activities.

Note 2. Fund balance with Treasury

Line item description	2021	2020
Status of fund balance with Treasury		
Unobligated balance		
Available	$16,809,352	$16,792,610
Unavailable	6,474,352	6,331,840
Obligated balance not yet disbursed	16,229,144	15,227,056
Subtotal—Status of fund balance	39,512,848	38,351,506
Funds invested with Treasury, net of unamortized discount	(38,616,055)	(34,147,326)
Total fund balance with Treasury	**$896,793**	**$4,204,180**

The fund balance with Treasury is an asset account that shows our available cash. The balance in the account increases as we collect funds and decreases as we disburse funds. The status of our fund balance with Treasury may be classified as unobligated available, unobligated unavailable, or obligated. Unobligated available amounts represent funds available for incurring new obligations. The unobligated unavailable amounts include funds not yet available for use and represent the amount of new fiscal year assessments received before Oct. 1. These unavailable amounts are also classified as deferred revenue on the balance sheet. Amounts noted as "obligated balance not yet disbursed" represent amounts designated for payment of goods and services received and not yet paid.

Unobligated balances noted above agree with unobligated balances reported on the Statement of Budgetary Resources.

All our funds invested with Treasury are in U.S. Treasury securities.

Note 3. Investments

Amounts for 2021 balance sheet reporting

Intragovernmental securities	Cost	Amortized (premium) discount	Investments, net	Interest receivable	9/30/21 Investment balance	Market value disclosure
Nonmarketable: market-based	$39,836,961	$(389,871)	$39,447,090	$163,522	$39,610,612	$39,446,602

Amounts for 2020 balance sheet reporting

Intragovernmental securities	Cost	Amortized (premium) discount	Investments, net	Interest receivable	9/30/20 Investment balance	Market value disclosure
Nonmarketable: market-based	$34,329,817	$40,783	$34,370,600	$101,097	$34,471,697	$34,585,814

Premiums and discounts are amortized, and interest is accrued using the level-yield, scientific method of effective interest amortization over the term of the respective issues. Interest revenue on investments was $251,147 and $617,438 for FYs 2021 and 2020, respectively.

Note 4. Accounts receivable

Description	2021	2020
Intragovernmental		
Reimbursements for services provided	$44,705	$31,007
Subtotal	44,705	31,007
With the public		
Reimbursements for services provided	2,359	12,300
Expenditure refunds	4,392	709
Subtotal	6,751	13,009
Total accounts receivable	**$51,456**	**$44,016**

The intragovernmental receivables represent reimbursable services provided to USDA and FCSIC but unbilled as of Sept. 30. Receivables for services provided to the public represent uncollected amounts related to the cost of examining the National Consumer Cooperative Bank and some employee receivables.

We do not have any uncollectible accounts receivable and therefore do not display any estimate for allowance for uncollectible accounts.

Note 5. General property, equipment, and software

As of Sept. 30, 2021

Type of asset	Estimated useful life	Depreciation method	Acquisition value	Accumulated/Amortized depreciation	Book value
Equipment	3 years	Straight line	$918,140	$(459,070)	$459,070
Equipment	5 years	Straight line	498,328	(422,157)	76,171
Equipment	10 years	Straight line	305,304	(197,971)	107,333
Internal use software	5 years	Straight line	1,656,962	(1,071,794)	585,168
Software in development			259,882	0	259,882
Total			$3,638,616	$(2,150,992)	$1,487,624

As of Sept. 30, 2020

Type of asset	Estimated useful life	Depreciation method	Acquisition value	Accumulated/Amortized depreciation	Book value
Equipment	3 years	Straight line	$1,641,722	$(876,603)	$765,119
Equipment	5 years	Straight line	498,326	(339,262)	159,064
Equipment	10 years	Straight line	305,304	(167,440)	137,864
Internal use software	5 years	Straight line	1,270,813	(779,016)	491,797
Software in development			249,228	0	249,228
Total			$3,965,393	$(2,162,321)	$1,803,072

Capitalization thresholds for property and equipment are $50,000 per individual asset and $500,000 for bulk purchase of equipment. Capitalized internal use software is capitalized when costs exceed $250,000.

Note 6. Liabilities not covered by budgetary resources (actuarial workers' compensation liability)

We record an unfunded liability (liability not covered by budgetary resources) for the actuarial liability under the Federal Employees' Compensation Act (FECA). The actuarial FECA liability is the estimated liability for future benefit payments and is recorded as a component of federal employee benefits. The actuarial liability estimate for benefits under FECA includes the expected liability for costs associated with death, disability, and medical care for approved compensation cases. The estimate also includes costs associated with incurred but unreported claims.

The Department of Labor estimates future workers' compensation liability for specified entities that are preparing statements under the Chief Financial Officers Act and the Government Management Reform Act. Because we are not one of the entities for which the Department of Labor provides individual estimates on a routine basis, we calculated our estimated FECA actuarial liability amount by using the Department of Labor's FY 2021 model.

Liability description	2021	2020
Federal Employees' Compensation Act actuarial liability	$1,533,273	$1,481,359
Total liabilities not covered by budgetary resources	1,533,273	1,481,359
Total liabilities covered by budgetary resources	18,107,963	16,364,215
Total liabilities	**$19,641,236**	**$17,845,574**

Note 7. Other liabilities

There are two categories of intragovernmental other liabilities in our balance sheet. The benefit program contributions payable line represents the employer portion of payroll taxes and benefit contributions, such as retirement, and health and life insurance. These intragovernmental liabilities also include the amount of our funded liability for the Federal Employees' Compensation Act. The other liabilities (without reciprocals) line item refers to transactions that are intragovernmental in nature, but no reciprocal balances will be reported by any other federal entity. For FCA, these balances relate to accrued liabilities for employees' withholding taxes under the Federal Insurance Contributions Act and hospital insurance tax.

Other liabilities	**2021**	**2020**
Intragovernmental		
Other liabilities (without reciprocals)	$194,129	$162,615
Benefit program contributions payable	668,224	563,270
Total intragovernmental other liabilities	862,353	725,885
Total other liabilities	**$862,353**	**$725,885**

Note 8. Suborganization program costs

The following tables provide a detailed breakout of the statement of net cost for each of the fiscal years ended 2021 and 2020. We display our cost and earned revenue amounts by office within each program.

For the year ended Sept. 30, 2021

Agency programs	**Program costs**	**Office of Examination**	**Office of Regulatory Policy**	**Office of Secondary Market Oversight**	**Other offices**	**Total**
Public mission	Gross costs	$412,841	$5,141,388	$523,326	$14,131,724	$20,209,279
	Less: Earned revenue	(383,409)	(4,774,814)	(432,124)	(13,090,371)	(18,680,718)
	Net program cost	29,432	366,574	91,202	1,041,353	1,528,561
Safety and soundness	Gross costs	37,663,274	251,682	1,518,691	23,193,485	62,627,132
	Less: Earned revenue	(34,936,386)	(232,330)	(1,255,517)	(21,463,168)	(57,887,401)
	Net program cost	2,726,888	19,352	263,174	1,730,317	4,739,731
Other activity	Gross costs	207,940	21,164	88	601,652	830,844
	Less: Earned revenue	(117,030)	(11,911)	(50)	(338,614)	(467,605)
	Net program cost	90,910	9,253	38	263,038	363,239
Net cost of operations		**$2,847,230**	**$395,179**	**$354,414**	**$3,034,708**	**$6,631,531**

For the year ended Sept. 30, 2020

Agency programs	Program costs	Office of Examination	Office of Regulatory Policy	Office of Secondary Market Oversight	Other offices	Total
Public mission	Gross costs	$425,969	$5,224,056	$418,921	$12,945,145	$19,014,091
	Less: Earned revenue	(405,721)	(4,975,737)	(369,980)	(12,330,995)	(18,082,433)
	Net program cost	20,248	248,319	48,941	614,150	931,658
Safety and soundness	Gross costs	36,805,731	607,834	1,502,976	19,503,990	58,420,531
	Less: Earned revenue	(35,038,185)	(577,690)	(1,335,685)	(18,584,090)	(55,535,650)
	Net program cost	1,767,546	30,144	167,291	919,900	2,884,881
Other activity	Gross costs	181,268	86,778	535	512,830	781,411
	Less: Earned revenue	(117,107)	(56,063)	(347)	(331,314)	(504,831)
	Net program cost	64,161	30,715	188	181,516	276,580
Net cost of operations		**$1,851,955**	**$309,178**	**$216,420**	**$1,715,566**	**$4,093,119**

Note 9. Inter-entity costs

Federal employee benefits

Benefit description	2021	2020
Imputed pension costs	$396,947	$251,324
Other imputed retirement benefits	2,363,148	2,184,589
Total	**$2,760,095**	**$2,435,913**

We report the amount of our pension expense and other retirement benefits in accordance with SFFAS No. 5, Accounting for Liabilities of the Federal Government. These expenses are treated as an imputed expense, which is recognized when amounts remitted to OPM are less than the full cost to the government. Corresponding amounts of imputed revenue are recorded to offset the imputed cost.

Pension expenses—Our employees are covered under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) to which we make contributions according to plan requirements. CSRS and FERS are multiemployer plans. We do not maintain or report information about the assets of the plan, nor do we report actuarial data for accumulated plan benefits. The reporting of such amounts is the responsibility of OPM.

Other retirement benefit expenses—We also recognize an expense for the cost of providing health benefits and life insurance to our employees after they retire. OPM provides the factors used to calculate these costs.

Rent

FCA office description	2021	2020
Leased field offices	$1,410,455	$1,308,035
FCA headquarters	2,239,545	2,341,965
Total	**$3,650,000**	**$3,650,000**

In accordance with the Farm Credit Act, we occupy buildings owned and leased by the Farm Credit System Building Association (FCSBA). Our administrative headquarters building and land are in McLean, Virginia. In addition, the FCSBA leases office space for field offices on our behalf at various locations throughout the United States. Rent is provided at no cost to us. Our imputed rent expense is an estimate based on the FCSBA's estimated budget for 2021. In accordance with SFFAS No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government, the rent expense and the associated imputed revenue are recorded as a nonmonetary transaction.

Note 10. Undelivered orders at the end of the period

As of Sept. 30, 2021, budgetary resources obligated for undelivered orders were as follows:

Type of undelivered orders	Federal	Nonfederal	Total
Paid undelivered orders	$0	$267,923	$267,923
Unpaid undelivered orders	263,933	4,821,566	5,085,499
Total undelivered orders	**$263,933**	**$5,089,489**	**$5,353,422**

As of Sept. 30, 2020, budgetary resources obligated for undelivered orders were as follows:

Type of undelivered orders	Federal	Nonfederal	Total
Paid undelivered orders	$2,396	$214,822	$217,218
Unpaid undelivered orders	371,847	5,359,200	5,731,047
Total undelivered orders	**$374,243**	**$5,574,022**	**$5,948,265**

Note 11. Explanation of differences between the Statement of Budgetary Resources and the budget of the U.S. government

SFFAS 7 requires the reporting of material differences between amounts reported in the Statement of Budgetary Resources and the actual amounts reported in the Budget of the United States Government.

There are no material differences between the amounts reported in the FY 2020 Statement of Budgetary Resources and the FY 2020 actual amounts reported in the FY 2022 Budget of the United States Government. The FY 2023 Budget of the United States is not yet available to compare the FY 2021 actual amounts to the FY 2021 Statement of Budgetary Resources. The budget is expected to be available in February 2022 at https://www.whitehouse.gov/omb/budget/.

Note 12. Incidental custodial collections

Our custodial collections include receipts to cover the costs of fulfilling Freedom of Information Act requests; they also include other receipts, such as interest and penalties. During the fiscal year, we include these collections in the Fund Balance with Treasury. However, since these collections are immaterial to the financial statements and incidental to our mission, we do not provide a Statement of Custodial Activity. Custodial collections totaled $25,245 for the year ended Sept. 30, 2021, and $199 for the year ended Sept. 30, 2020. The funds collected during FY 2021 were transferred to the Department of the Treasury at the end of FY 2021.

Note 13. Reconciliation of net cost to net outlays

As prescribed by SFFAS 53, Budget and Accrual Reconciliation, this note explains the relationship between our net outlays on a budgetary basis and the net cost of operations during the reporting period. It is a reconciliation between budgetary and financial accounting information.

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash. Because financial accounting is intended to provide a picture of the government's financial operations and financial position, it presents information on an accrual basis. The accrual basis includes information about costs arising from consuming assets and incurring liabilities. The analyses in the tables below illustrate this reconciliation by listing the key differences between net cost and net outlays.

For the year ended Sept. 30, 2021

Reconciling items	Intragovernmental	With the public	Total
Net operating cost	**$21,735,529**	**$(15,103,998)**	**$6,631,531**
Components of net operating cost that are not part of budgetary outlays			
Property, plant, and equipment depreciation expense	0	(712,250)	(712,250)
Increase/(decrease) in assets			
Accounts receivable	13,697	(6,258)	7,439
Other assets	(2,396)	53,101	50,705
Investments	670,187	0	670,187
(Increase)/decrease in liabilities not affecting budgetary outlays			
Accounts payable	(16,631)	(422,703)	(439,334)
Salaries and benefits	0	(112,894)	(112,894)
Other liabilities	(136,470)	(1,106,962)	(1,243,432)
Other financing sources			
Imputed federal employee retirement benefit costs	(2,760,095)	0	(2,760,095)
Imputed rent	(3,650,000)	0	(3,650,000)
Total components of net operating cost that are not part of budgetary outlays	**(5,881,708)**	**(2,307,966)**	**(8,189,674)**
Components of budgetary outlays that are not part of net operating cost			
Acquisition of capital assets	0	396,802	396,802
Total components of budgetary outlays that are not part of net operating cost	**0**	**396,802**	**396,802**
Miscellaneous items			
Distributed offsetting receipts	(25,245)	0	(25,245)
Net outlays (calculated total)	**$15,828,576**	**$(17,015,162)**	**$(1,186,586)**
Related amounts on the Statement of Budgetary Resources			
Outlays, net			**$(1,186,586)**

For the year ended Sept. 30, 2020

Reconciling items	Intragovernmental	With the public	Total
Net Operating Cost	**$19,645,808**	**$(15,552,689)**	**$4,093,119**
Components of net operating cost that are not part of budgetary outlays			
Property, plant, and equipment depreciation expense	0	(537,382)	(537,382)
Increase/(decrease) in assets			
Accounts receivable	23,491	(137,202)	(113,711)
Other assets	2,396	(75,123)	(72,727)
Investments	42,511	0	42,511
(Increase)/decrease in liabilities not affecting budgetary outlays			
Accounts payable	(94,763)	341,724	246,961
Salaries and benefits	0	62,538	62,538
Other liabilities	(140,788)	(1,292,651)	(1,433,439)
Other financing sources			
Imputed federal employee retirement benefit costs	(2,435,913)	0	(2,435,913)
Imputed rent	(3,650,000)	0	(3,650,000)
Total components of net operating cost that are not part of budgetary outlays	**(6,253,066)**	**(1,638,096)**	**(7,891,162)**
Components of budgetary outlays that are not part of net operating cost			
Acquisition of capital assets	0	1,167,368	1,167,368
Total components of budgetary outlays that are not part of net operating cost	**0**	**1,167,368**	**1,167,368**
Miscellaneous items			
Distributed offsetting receipts	(199)	0	(199)
Net outlays (calculated total)	**$13,392,543**	**$(16,023,417)**	**$(2,630,874)**
Related amounts on the Statement of Budgetary Resources			
Outlays, net			**$(2,630,874)**

Note 14. COVID-19 activity

As in FY 2020, we did not use any significant amount of our budgetary resources this year to prevent, prepare for, or respond to COVID-19. We also did not receive any budgetary resources under any of the COVID-19 supplemental appropriations. Any expenses related to COVID-19 were nominal and immaterial to our overall costs.

Other Information

This section includes the following additional reporting required by the Office of Management and Budget:

- A summary of the management challenges identified by our inspector general, which includes a description of each challenge along with an assessment of the agency's actions to address those challenges
- Our response to the inspector general's assessment
- A summary of our financial statement audit and management assurances
- Our actions to address Payment Integrity Act requirements
- An update on our annual adjustment on civil monetary penalties

Letter from Inspector General on FCA's Management Challenges

FCA OIG
Farm Credit Administration
Office of Inspector General

October 13, 2021

The Honorable Glen R. Smith, Chairman and Chief Executive Officer
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:

As part of the Farm Credit Administration's (FCA or Agency) annual Performance and Accountability Report, the Reports Consolidation Act of 2000 requires Inspectors General to provide a summary perspective on the most serious management and performance challenges facing the Agency. We solicited the FCA Board and management for thoughts on this issue and identified the following top five management challenges:

1. Examination and Supervision Program
2. Information Technology
3. Data Quality and Analysis
4. Human Capital
5. Secondary Market Oversight

This year we incorporated challenges posed by the COVID-19 pandemic into each of the above challenges, as appropriate.

We appreciate the continued, ongoing support of Agency leadership. We will continue to work with you in addressing these and other challenges faced by the Agency in achieving FCA's mission. If you have any questions, please call me at (703) 883-4234.

Wendy R. Laguarda

Wendy R. Laguarda
Inspector General

1501 Farm Credit Drive, McLean, VA 22102 703-883-4030 www.fca.gov/about/inspector-general

Management Challenges

Farm Credit Administration

Office of Inspector General

October 13, 2021

MANAGEMENT CHALLENGES

The Reports Consolidation Act of 2000 requires Inspectors General to provide a summary perspective on the most serious management and performance challenges facing the Farm Credit Administration (FCA or Agency). These challenges reflect ongoing vulnerabilities identified by the Office of Inspector General (OIG) over recent years as well as new and emerging issues that the FCA faces. The chart below summarizes the top management challenges. The pages following the chart provide more depth regarding each challenge and the Agency's progress in addressing them.

Examination and Supervision Program

- Identifying and addressing risks in the Farm Credit System through effective examination and supervision to ensure it remains safe and sound.

Information Technology

- Leveraging investments in information technology while maintaining a secure environment and mobile workforce.

Data Quality and Analysis

- Obtaining consistent and quality data vital to the Farm Credit Administration's mission.

Human Capital

- Maintaining a safe, well-trained, and sustainable workforce while facing challenges in retirement eligibilities, workforce retention, and diversity.

Secondary Market Oversight

- Providing effective and impartial oversight of the Federal Agricultural Mortgage Corporation through the Farm Credit Administration's Office of Secondary Market Oversight.

CHALLENGE ONE: *EXAMINATION AND SUPERVISION PROGRAM*

A significant challenge for FCA lies in identifying and addressing risks in the Farm Credit System (FCS or System) through effective examination and supervision to ensure the System remains safe and sound.

Although the System remains financially sound, it continues to be impacted by changing risk conditions. The COVID-19 pandemic has had a substantial impact on the global economy. Disruptions to employees, markets, crops and livestock, transportation, climate, and other factors yield significant volatility and uncertainty, creating new and increased risks in the System. The security of the FCS information technology systems in the face of increased ransom and other attacks has also increased operational risks in the System. These challenges require FCS institutions to be increasingly proactive and responsive to risks in the System. Working with borrowers and adapting to increasing risks, while maintaining financial capacity, will further increase the complexity of the System.

FCA's examination and supervision program will face new challenges to align with evolving threats, risks, and conditions. As a result of the COVID-19 pandemic, FCA directed most of its workforce to telework, suspended onsite examinations, and restricted business travel and in-person training. This year will bring new challenges as FCA employees return to the office and begin the resumption of on-site examination activities. FCA needs to remain flexible as employees continue to adapt to the new normal of working during a global pandemic. The Agency will need to adapt a hybrid approach to examinations as most employees will not be returning to pre-pandemic work schedules.

FCA will need to continue its risk-based approach to oversight of the System, and the Agency must continue to develop sophisticated risk evaluation techniques to align with emerging risk factors and identify and deter consequences with the greatest potential impact. Effective oversight will require using new technologies and developing new skill sets within the Agency to adapt to challenges, such as the challenges the System faces with the London Interbank Offered Rate (LIBOR) phase out.

More serious or persistent weaknesses require additional oversight activities. FCA must respond and intervene, when necessary, to protect the System. Effective examination and supervision require prompt identification of unacceptable risks. Both internal and external factors can cause significant changes in condition in a short period of time. Corrective actions and follow-up are critical to preventing the escalation of issues that impact safety and soundness. The Agency must be agile to monitor and prevent such conditions to protect the System.

Agency Progress

FCA continuously works to address the challenges of its examination and supervision roles and responsibilities. The Office of Examination (OE) issued several Informational Memoranda (IM) with guidance for institutions during fiscal year 2021 including:

- *Guidance for serving consumers with limited English proficiency, ability-to-repay/qualified mortgage rule, fair debt collection practice, and annual threshold adjustments;*
- *Updated interpretation of sex discrimination in fair lending laws and regulations;*
- *Maintaining and using stockholder lists;*
- *Annual threshold adjustments, [Fair Debt Collection Practices Act] FDCPA rule, [Government-Sponsored Enterprise] GSE patch, and compliance resources;*

- *Guidance for System Institutions Affected by the COVID-19 Pandemic; and*
- *Request from the [Consumer Financial Protection Bureau] CFPB for a voluntary self-assessment.*

In January 2021, the FCA Board approved a bookletter that provides additional guidance to System institutions on implementing the FCA criminal referral regulations. This bookletter responds to the various questions the Agency has received from System institutions related to the FCA criminal referral regulations.

In September 2021, The FCA Board adopted a final rule on the tier 1/tier 2 capital framework. The rule clarifies numerous provisions of the capital regulations and corrects technical errors. Additionally, the rule reduces the burden to the System by simplifying certain requirements and changes the lending and leasing limit base calculation to be computed using total capital instead of permanent capital.

Each year, OE identifies National Oversight Plan risk topics that are emphasized in ongoing examinations and oversight activities. OE identified two risk topics for fiscal year 2021: Credit – Risk Management and Loan Servicing; and Operational Risk – Management's Actions in Response to Risk and the Pandemic.

Finally, OE published new and updated Office Directives on FCA Examination Manual maintenance, Systemwide communication, flexiplace, and management reporting.

Relevant OIG Work

Last year, the OIG completed an audit on FCA's criminal referral process. The objective of the audit was to determine whether FCA's criminal referral and follow-up process is effective and efficient. We made seven recommendations to the Agency to improve the criminal referral process. All recommendations from this audit were closed as of December 2020.

The OIG also plans to address other challenges faced by the examination and supervision program, including a review of the Agency's examination staff scheduling and rotation, OE recruiting, and the similar entity lending oversight process.

CHALLENGE TWO: *INFORMATION TECHNOLOGY*

A significant management challenge for FCA is the ability to leverage investments in information technology (IT) while maintaining a secure environment.

Cybersecurity Threats

Cybersecurity threats and vulnerabilities present significant challenges across the federal government. These challenges require an IT security program that is responsive, agile, and forward-looking. The prevalence of cybersecurity threats and risks have been highlighted by security incidents and data breaches across the public and private sectors. Because FCA relies on various IT systems, security challenges can directly impact the Agency's ability to achieve its mission. As such, FCA must continuously identify and respond to complex IT risks to effectively manage this challenge area.

Hybrid Communication Environment

The COVID-19 pandemic continues to pose challenges for the FCA workforce as most of the FCA staff continues to work remotely full-time. Because most of the FCA staff was telework-ready before the pandemic, the Agency was able to quickly transition to full-time telework. However, additional resources are required from the IT staff to support what is now a fully-hybrid communication environment of in-person and virtual work—an environment that will continue into the future with the increased use of telework. Working remotely could expose potential vulnerabilities that may go beyond the Agency's control, such as weak internet connections and increased spam and phishing attempts in the era of teleworking. The new working environment adds a new layer of complexity given the reliance on personally managed internet connections and the resources and support needed for a secure IT environment while keeping the health and safety of FCA staff the utmost priority. The need for a hybrid communication environment will continue after FCA's workforce returns to the office as employees will continue to work from home with a more flexible telework policy in place.

Office of Information Technology (OIT) Needs

It is imperative that FCA has the necessary tools and staff to operate efficiently and effectively. At the same time, the Agency must be prudent and responsible with its spending. To stay current and address the Agency's IT requirements, FCA needs well-trained personnel that can successfully maintain IT systems and integrate new tools to improve operations. This challenge becomes increasingly difficult as new IT requirements are developed and implemented across federal systems.

Agency Progress

FCA continues to invest in various IT tools to increase efficiency and effectiveness. In addition, FCA's information security and privacy programs continue to mature as the Agency finds areas within which to improve. FCA has digitized and automated several manual processes, such as the Office of Examination workforce scheduler, the audit recommendation follow-up process and the requisition routing process, and simplified business systems, such as the online borrower complaint system, a Freedom of Information Act repository, and several enhancements to the EDGe application suite. The Agency continues to work with business partners to improve data processing, administrative functions, and communication capabilities. FCA has begun efforts to move operations into the cloud where appropriate, has a plan in place to implement data loss prevention, and is working on several efforts to improve its Federal Information Security program. The Agency regularly sends informational security alerts, system update notices, and email phishing tests to employees.

Relevant OIG Work

The OIG performs an annual audit of FCA's compliance with the Federal Information Security Modernization Act of 2014. In 2018, the OIG performed a benchmarking evaluation comparing the FCA OIT's budget and use of contractors to other FCA offices and to other federal financial regulators' IT departments. Looking ahead, the OIG will continue to focus on operations and implementation of IT systems.

CHALLENGE THREE: *DATA QUALITY AND ANALYSIS*

A significant management challenge for FCA exists in the collection and use of data.

Obtaining timely, consistent, and quality data is vital to FCA's mission of ensuring that the System remains a dependable source of credit for agriculture and rural America. Such data allows FCA to better monitor the System's condition and identify current and emerging risks, including the impacts of the COVID-19 pandemic. In doing so, FCA enhances the development of a risk-based examination agenda and the promulgation of evidence-based regulations, policies, and guidance. Data analysis is similarly important to the Agency's internal operations, a fact put in sharp relief by the COVID-19 pandemic, which has required decisions about telework and other matters to be based on a variety of factors.

Collecting useful data from the System is no simple task, as varying practices and technical capabilities among its 70-plus institutions can result in inconsistencies that inhibit robust data analysis. In imposing reporting requirements, the Agency must consider the resulting burdens to System institutions while ensuring that data is collected and maintained in a manner comporting with legal requirements and that sensitive information is safeguarded against unauthorized access or use. By identifying the gaps and critical data necessary to efficiently and effectively perform its mission, the Agency can better ensure the safety and soundness of the System.

Agency Progress

The Agency's Strategic Plan recognizes and underscores the importance of effective data analysis to oversight of the FCS. In November 2019, in recognition of the importance of data analytics and with a view to the requirements of the Foundations for Evidence-Based Policymaking Act of 2018 (Evidence Act), the FCA Board established the Office of Data Analytics and Economics (ODAE). Headed by the Agency's Chief Data Officer, ODAE is responsible for, among other things, evaluating strategic risks to the System, serving as a steward for Agency data, and providing information to support objective, evidence-based decision-making Agency-wide.

In further implementation of the Evidence Act, FCA in 2020 created the Data Advisory Group as a forum for addressing data management standards, priorities, policies, and practices. Headed by the Chief Data Officer and composed of various Agency leaders, the Data Advisory Group is tasked with leading implementation of Agency-wide processes and standards, and with addressing common issues affecting FCA data programs and resources. The Agency has also formed a Data Users' Group to focus on the technical implementation and management of core Agency datasets.

The past year saw FCA, jointly with the Farm Credit System Insurance Corporation, form a task force to identify risks to System loan portfolios posed by climate issues. The task force's objective is to analyze data and build tools to mitigate risks. Also, in 2021, the Agency reported progress in improving the collection of call report data. FCA collects this data, which provides information on the financial operations of System institutions, every quarter and reports it on the Agency's website. Relatedly, the Agency enhanced information it provides on its website concerning major financial indicators for the System. FCA continues to work with the System to prioritize the most critical data fields for the overall improvement of data quality and consistency.

FCA also continues to invest in related IT and develop and implement analytical and examination tools that will enhance its ability to perform systemic risk and data analysis, including those supporting improved collaboration and data inventory management.

Relevant OIG Work

Recent OIG reviews relevant to this subject include a 2019 audit on the Agency's implementation of stress testing guidance and use of data and analytical and examination tools; a 2016 audit on FCA's oversight of young, beginning, and small farmer and rancher programs; and a 2016 audit on FCA's risk project. Going forward, the OIG will continue monitoring the Agency's progress in obtaining and analyzing data, including through a planned review of ODAE's organizational structure, goals, and objectives.

CHALLENGE FOUR: *HUMAN CAPITAL*

A significant management challenge for FCA is maintaining a well-trained, sustainable workforce while facing challenges in retirement eligibilities, succession planning and training, and diversity. A key factor in meeting this challenge is providing a work environment where employees feel safe while they continue to perform their work.

Employees are FCA's most valuable asset and the safety and well-being of FCA's workforce has been brought to the forefront during the COVID-19 pandemic. The Agency's success depends greatly on its ability to recruit, retain, and develop a capable workforce, while keeping its workforce safe during challenging times such as the current pandemic. This challenge will continue into the foreseeable future when FCA employees and contractors will be expected to return to the office after working under a maximum telework policy for an extended period of time. The Agency will be challenged to respond to a workforce that has adapted to productively working from home and wanting to retain increased telework flexibilities even after returning to the office.

Because FCA is a relatively small agency with nationwide responsibilities, changes in the workforce—such as the retirement of management and senior employees—must be accounted and planned for to avoid undue disruption to Agency functions. The need for succession and human capital planning was highlighted in the past year by the retirement of multiple senior Agency leaders. Planning ensures that institutional knowledge and experience are passed on, and the Agency is less dependent on specific individuals.

Workforce training and development takes a significant investment of resources, but the use of several tools can ensure that FCA maintains a vital, experienced staff. For example, data analytics can help the Agency identify training gaps. Job sharing, rotational details, and micro-assignment opportunities can be used to promote career development. Mentoring programs can prepare employees for management positions.

Diversity is another important aspect of human capital. A diverse staff brings different perspectives to problem-solving, enriching the Agency's ability to regulate and supervise the System. The Agency must continually assess and deploy strategies to reach its goals for diversity and inclusion. It can do this by using various tools that identify and reduce potential barriers to diversity and inclusion, enhance outreach, evaluate the Agency's recruitment data, and heighten awareness through programs that support diversity and inclusion. The benefits of allowing a more remote workforce are the enhanced pool of applicants that the Agency can draw from and the enhanced flexibilities that telework allows, such as accommodating disabled employees who may need to work more from home.

Agency Progress

To promote a safe and healthy workforce, FCA quickly pivoted in March 2020 to accomplish its mission using technology and telework protocols. The Agency mandated telework for most of its workforce on March 16, 2020 and continues to leverage telework for most of its employees. Earning a score of 97.2, FCA earned the highest overall COVID-19 response score of any large, medium, or small agency on the latest Best Places to Work in the Federal Government rankings from the Partnership for Public Service and Boston Consulting Group. FCA's Emergency Response Team (ERT), composed of the FCA Board and senior managers, meets regularly and continually monitors COVID-19 case trends, local school status, and government status at the Federal, state and local levels for its McLean, Virginia headquarters and four field offices in various parts of the United States. FCA's ERT is using the latest regional and local CDC data on COVID-19 to make data-driven decisions on return-to-work activities and will continue to do so.

The Agency implemented several additional programs to promote employee safety and wellness during the pandemic, including a weather and safety leave program and an annual leave payout and restoration program. In July 2021, FCA submitted its Return to Work Plan to the Office of Management and Budget (OMB) that outlines and describes the steps the Agency is taking to promote a safe and healthy work environment. With input from subject matter experts at the Office of Personnel Management, the General Services Administration, and the Safer Federal Workforce Task Force, OMB concluded that FCA's plan is consistent with the intent of OMB Memorandum M-21-25. The four-phase plan includes continuing to leverage telework program flexibilities; conducting contactless temperature checks at all office locations; ensuring that employees wear a face covering while in the office in alignment with CDC guidelines; upgrading the air filtration system in its headquarters and four field offices; and continuing building cleaning services and ensuring there are sufficient supplies (including hand soap and sanitizer) to support reopening FCA offices. FCA has also acquired at-home COVID-19 testing kits for employees to use upon request.

The Agency's Strategic Plan evidences a commitment to maintaining a diverse and capable workforce. Strategic objectives address maintaining a skilled, motivated workforce; ensuring adequate succession planning and knowledge transfer; and encouraging an engaged, diverse, and ethical workforce. In 2021, the Agency added a Chief Diversity Officer role to its Equal Employment Opportunity and Inclusion Office. Recently, FCA has increased its mid-career hiring to help close current workforce gaps by filling positions with mid-career employees and adding several assistant and deputy director positions. The Agency has implemented a Virginia Tech graduate certificate program to develop the FCA workforce in three critical areas: 1) Agricultural economics; 2) Agriculture finance; and 3) Data analytics. The Agency expects additional progress in fiscal year 2022 around targeted leadership development through formal training, mentoring, and developmental assignments. FCA measures its success towards human capital goals based on employee outreach efforts and the results of the annual employee satisfaction surveys. The Agency also provides benefits and employee programs to attract and maintain a talented diverse workforce, including a Student Loan Repayment Program. FCA's learning office also provides numerous online and in-person training resources to support technical skills, work/life balance, and managerial competencies.

Relevant OIG Work

In 2021, OIG surveyed Agency employees on safety measures and other actions implemented by FCA in response to COVID-19. The survey results showed that employees believed the Agency took positive actions to implement safety measures in response to COVID-19. The survey showed that most employees were working remotely since the COVID-19 operating changes and they felt that they have been able to fully perform all work responsibilities in the remote environment, with appropriate resources for telework.

The OIG has performed several reviews related to the subject of human capital in recent years, including an inspection of FCA's implementation efforts for its 2017-2018 Fairness and Inclusiveness Assessment and an audit concerning the effectiveness of FCA's process of obtaining background investigations for contractor personnel. Other reviews include a benchmarking evaluation comparing the structure and organization of FCA's Office of Examination with comparable offices of other financial regulatory agencies and an audit of the Agency's human capital planning.

CHALLENGE FIVE: *SECONDARY MARKET OVERSIGHT*

A significant management challenge for FCA is to ensure that it effectively and impartially regulates the Federal Agricultural Mortgage Corporation (Farmer Mac) through the Office of Secondary Market Oversight (OSMO).

Farmer Mac is a stockholder-owned, federally-chartered corporation. Farmer Mac was established by the federal government in 1988 to provide a secondary market for credit by increasing access to, and reducing the cost of, capital to American agriculture and rural communities. Although Farmer Mac is part of the FCS, its secondary market mission is unique among FCS institutions. Farmer Mac's customer base includes commercial and community banks, insurance companies, non-bank lenders, agricultural funds, rural utilities, and other FCS institutions.

OSMO examines, regulates, and supervises the activities of Farmer Mac to ensure its safety and soundness and the accomplishment of its public policy purpose as authorized by Congress. OSMO ensures that Farmer Mac complies with applicable laws and regulations and manages FCA's enforcement activities with respect to Farmer Mac. Under the Farm Credit Act of 1971, as amended (Act), the OSMO Director reports directly to the FCA Board rather than the Chief Operating Officer. The Act also provides that the supervision of the powers, functions, and duties of Farmer Mac is performed, to the extent practicable, by personnel who are not responsible for the supervision of the banks and associations of the FCS. To fulfill its duties, OSMO uses examiners who also examine FCS banks and associations. Therefore, OSMO is challenged to ensure that it fulfills the oversight role free of conflicts of interest or undue influence from those also responsible for the supervision and regulation of the FCS banks and associations.

OSMO conducts the oversight and examination activities with a relatively small staff (5 employees with additional rotational staff), while balancing resources sourced from other FCA offices, such as OE, which is responsible for supervision of FCS banks and associations. OSMO staff must have the necessary knowledge, skills, and training to understand the unique and complex mission, secondary market activities, and business model and capitalization of Farmer Mac. Further, because Farmer Mac is a publicly-traded company, OSMO staff must understand the market forces and reputational risks that can potentially affect Farmer Mac's safety and soundness. Other changing areas, such as the LIBOR phase-out, will continue to increase the complexity of Farmer Mac. Advancements in data gathering, technology, and analytics that aid OSMO with risk measurement, management, and assessment, coupled with appropriate specialized training, can enhance FCA's ability to oversee Farmer Mac as it grows in complexity and scale. This will be particularly important in an environment that may present more challenges to farmers, ranchers, rural communities, and their lenders. As the complexity of Farmer Mac increases, OSMO will need to ensure it maintains appropriate readiness to evaluate safety and soundness. To achieve its mission, OSMO may require increased resources and technical skills, which will present additional challenges for the Agency.

Farmer Mac has experienced many changes in its organizational structure over the last 3 years, which includes new members in its executive management team that made notable changes in Farmer Mac operations. Further, OSMO's oversight role is made more difficult in ensuring the continued safety and soundness of Farmer Mac in the face of its large board representing diverse interests.

Additionally, while Farmer Mac has historically chosen a decentralized model to service its loan portfolios, contracting with a network of third-party institutions to undertake most of the loan servicing responsibilities for its Farm and Ranch and USDA Guaranteed loan portfolios, its August 2021 acquisition of servicing rights, from a large central servicer, will greatly alter its loan servicing model. OSMO will be making it an examination focus to look at how Farmer Mac manages this transition.

In addition, the continuing COVID-19 global pandemic provides an additional challenge to OSMO and Farmer Mac leadership given the needs of employees, safety concerns, and forward-looking business models. The pandemic presents an ever-changing environment that requires flexibility and agility in business. For OSMO, the persistence of the COVID-19 pandemic emphasizes the need for highly qualified examiners and analysts to maintain vigilant oversight during these unprecedented and volatile times.

Agency Progress

OSMO provides guidance and implements regulatory and other changes related to Farmer Mac. These changes are made in addition to OSMO's supervision and safety and soundness reviews of Farmer Mac. All FCA employees, including OSMO staff, were able to quickly transition to full-time telework status in March 2020 in response to the COVID-19 pandemic.

As a result of the COVID-19 pandemic and national emergency, OSMO created and issued guidance documents to Farmer Mac. On March 24, 2020, OSMO issued a memorandum that encouraged Farmer Mac to prudently work with its lending and servicing partners to provide flexibility and assistance to borrowers experiencing financial challenges due to COVID-19. OSMO also developed an IM that specifically addressed Farmer Mac's position as a secondary market provider working with servicing partners to administer its Farm and Ranch portfolio.

Additionally, OSMO enhanced its oversight of Farmer Mac through additional reporting requirements to ensure potential risks were monitored and identified. Since the COVID-19 outbreak was declared a national emergency, OSMO established daily reporting requirements for funding, liquidity, and investments and developed weekly funding and market reports. Weekly reporting requirements of loan servicing actions related to COVID-19 were also established.

In anticipation of resource needs during the 2021 and 2022 examination cycle, OSMO added rotational staff. In January 2021 OSMO hired a full-time Assistant to the Director of OSMO. The Assistant to the Director is responsible for providing management support to office operations and programs. Specifically, the Assistant to the Director serves as OSMO's quality assurance examiner and manages the quality assurance of reports, products, and other communications to ensure they are high-quality products.

In May 2021, the FCA Board approved a direct final rule adopting administrative amendments to eliminate requirements for Farmer Mac to submit paper copies of certain reports to OSMO.

In July 2021, OSMO published two new office directives and revisions to two existing directives. Directive 5 outlines OSMO's quality assurance program and Directive 6 outlines OSMO's policy on rotational employees. Revisions to Directive 1 expand the previous version by setting forth the operating procedures that guide examination activities and includes information on activity letters and the report of examination. Additionally, revisions to Directive 3 expand on internal controls over the conflict of interest process.

Finally, in September 2021, OSMO issued an informational memorandum to Farmer Mac outlining expectations to protect the corporation from ransomware attacks. It also included expectations that Farmer Mac take appropriate actions to protect its data and systems to withstand cyberattacks and safeguard customer data and ensure continuity of operations.

Relevant OIG Work

This year, FCA's OIG completed an audit of OSMO's documented examination policies and procedures. The objective of the audit was to determine whether OSMO's examination policies and procedures are documented and implemented. The OIG found that OSMO had limited documented policies and procedures for the areas unique to Farmer Mac examination work. However, despite a lack of formalized policies and procedures that uniquely apply to Farmer Mac examination work, the OIG found that OSMO generally implemented the processes tested during the audit. To reduce risk and increase consistency in the examination process, the OIG the OIG made four recommendations to the OSMO.

In response to our recommendations OSMO revised Directive 3 by strengthening internal controls related to the conflict of interest process. Additionally, OSMO created a Farmer Mac Supplemental Examination Guidance and Procedures Development Plan which establishes expectations and timelines for creating Farmer Mac examination guidance. Finally, OSMO agreed to create a detailed reference document for examination staff that will include regulations that are applicable to Farmer Mac.

The OIG plans to review other aspects of OSMO in future years.

Management's Response to Challenges Identified by FCA's Inspector General

Farm Credit Administration

1501 Farm Credit Drive
McLean, VA 22102-5090
(703) 883-4000

October 29, 2021

Ms. Wendy Laguarda
Inspector General
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Dear Ms. Laguarda:

We concur with your assessment of the management challenges described in your Oct. 13 letter, and we appreciate your recommendations in addressing these challenges and your summaries of our continuing progress. As you noted, the ongoing COVID-19 pandemic has presented additional challenges. In FY 2021, we are proud of the progress we made in each of the areas you identified.

Despite the remote telework environment, we maintained a robust examination program throughout the pandemic. We issued operational and legal guidance to Farm Credit System institutions on several issues. We also worked with the board to issue a final rule on the tier 1/tier 2 capital framework and updated several sections of our examination manual.

In addition, our agency has risen to the challenges of maintaining the security of agency assets and responding to the needs of a remote workforce. In FY 2021, we automated several processes and regularly educated staff on IT issues.

Our newest office, the Office of Data Analytics and Economics, continues to grow in its role of evaluating strategic risks to the System and providing data to FCA management to guide policy decisions. It also continues to provide our senior leadership team with the latest COVID-19 data at the national and regional levels to guide return-to-work decisions in each of our offices.

This year, in partnership with the Farm Credit System Insurance Corporation, FCA formed a task force to identify risks to System loan portfolios posed by climate issues. We also improved the collection and dissemination of call report data and major financial indicators for the System.

We implemented several programs in FY 2021 to promote employee safety and wellness during the pandemic. We developed a Return to Work Plan, which details safety policies and procedures during four phases of reopening in each of our offices. We also strengthened staffing by adding a chief diversity officer position, planning for succession, increasing mid-career hiring, and pursuing other training and recruitment activities.

Our Office of Secondary Market Oversight continues to provide guidance to Farmer Mac on operating during the COVID-19 pandemic. It also enhanced its oversight by requiring additional reporting requirements, adding examination staff, and updating internal procedures.

We look forward to putting the COVID-19 pandemic behind us and returning to an in-person work environment. Meanwhile we will continue to prioritize the health and safety of our employees and the staff of the institutitions we regulate. We are confident that in our current remote work environment we can uphold our mission to ensure the safety and soundness of the Farm Credit System.

Thank you for your insightful analysis. We look forward to working with you and your staff in the coming year.

Sincerely,

Glen R. Smith
Board Chairman and CEO

Summary of Financial Statement Audit and Management Assurances

FCA has no reported material weakness, and we are in conformance with the Federal Managers' Financial Integrity Act (FMFIA).

Table 9. Summary of financial statement audit

Audit opinion: Unmodified
Restatement: No

Material weaknesses	Beginning balance	New	Resolved	Consolidated	Ending balance
Total material weaknesses	0	0	0	0	0

Table 10. Summary of management assurances

Effectiveness of internal control over financial reporting (FMFIA § 2)
Statement of assurance: Unmodified

Material weaknesses	Beginning balance	New	Resolved	Consolidated	Reassessed	Ending balance
Total material weaknesses	0	0	0	0	0	0

Effectiveness of internal control over operations (FMFIA § 2)
Statement of assurance: Unmodified

Material weaknesses	Beginning balance	New	Resolved	Consolidated	Reassessed	Ending balance
Total material weaknesses	0	0	0	0	0	0

Conformance with federal financial management system requirements (FMFIA § 4)
Statement of assurance: Federal systems conform

Nonconformances	Beginning balance	New	Resolved	Consolidated	Reassessed	Ending balance
Total nonconformance	0	0	0	0	0	0

Compliance with Federal Financial Management Improvement Act (FFMIA § 803[a])
We are not required to report under this act.

Payment Integrity Information Act Reporting

Background

The Payment Integrity Information Act of 2019 requires agencies to report annual improper payment estimates for OMB-designated high-priority programs and programs that are susceptible to significant improper payments. FCA does not have any programs that were designated by OMB as high priority, and our risk assessments did not identify any programs or activities that were susceptible to significant improper payments. Thus, we are not required to submit annual payment information to OMB.

Risk assessments

In accordance with legislative requirements and OMB guidance, we conduct risk assessments at least once every three years to identify programs that may have a significant risk of improper payments. We perform our assessments on contract payments, purchase cards, travel cards, claims and vouchers, and payroll. Based on our last risk assessment for the period ended Sept. 30, 2020, we determined that our programs and activities are low risk and are not susceptible to significant improper payments.

Actions taken to address auditor recovery recommendations

On May 17, 2021, our inspector general published her annual report on whether FCA complied with reporting requirements for improper payments. The report concluded that we were in compliance and there were no recommendations.

Civil Monetary Penalty Adjustment for Inflation

Under the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, agencies must make annual inflation adjustments to civil monetary penalties and report on these adjustments. Table 11 shows the adjustments FCA has made this year.

Table 11. Annual inflation adjustments of civil monetary penalties

Statutory authority	Reason for penalty	Year enacted	Latest year of adjustment (via statute or regulation)	Current penalty (dollar amount)	Location for penalty update details
Section 5.32(a) of the Farm Credit Act of 1971, as amended	Violation of a final order	1985	2021	$2,395	86 FR 7235
Section 5.32(a) of the Farm Credit Act of 1971, as amended	Violation of the act or regulation	1985	2021	$1,084	86 FR 7235
Section 102(f) of the Flood Disaster Protection Act of 1973	Pattern or practice of committing violations of the National Flood Insurance Program	1994	2021	$2,252	86 FR 7235

Additional Information

Copies of this report are available on the **Farm Credit Administration**'s website at www.fca.gov/about/reports-publications.

To request print copies of this report or earlier editions, please contact the Office of Congressional and Public Affairs at the email address or mailing address provided below. You may also call 703-883-4056 to request a copy.

We would like to hear from you! What did you think of our FY 2021 Performance and Accountability Report? Did we present information in a way you could use? How can we improve our report in the future? Any feedback you have time to provide would be most appreciated. Please email your comments to info-line@fca.gov.

Or send written comments to the following address:

Office of Congressional and Public Affairs
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Thank you!

The **Federal Farm Credit Banks Funding Corporation**, with the support of the System banks, prepares the financial press releases and the System's annual and quarterly information statements, which contain the System's combined financial statements. Copies are available on the Funding Corporation's website at www.farmcredit-ffcb.com or from

Federal Farm Credit Banks Funding Corporation
10 Exchange Place
Suite 1401
Jersey City, NJ 07302
Telephone: 201-200-8000

The **Farm Credit System Insurance Corporation** publishes an annual report. Copies are available on FCSIC's website at www.fcsic.gov or from

Farm Credit System Insurance Corporation
1501 Farm Credit Drive
McLean, VA 22102
Telephone: 703-883-4380

In addition, FCS banks and associations are required by regulation to prepare annual and quarterly financial reports. Copies of these documents are available for public inspection at FCA headquarters in McLean, Virginia.

Copies available from

Office of Congressional and Public Affairs
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102

703-883-4056
www.fca.gov

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