

# Farm Credit Administration Office of Inspector General



**Semiannual Report to Congress**  
**April 1, 2019 – September 30, 2019**

**FCAOIG**  
Farm Credit Administration  
Office of Inspector General

# **FARM CREDIT ADMINISTRATION OFFICE OF INSPECTOR GENERAL**



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## **SEMIANNUAL REPORT TO CONGRESS**

**APRIL 1, 2019 – SEPTEMBER 30, 2019**

# MESSAGE FROM THE INSPECTOR GENERAL

I am pleased to submit our Semiannual Report to Congress, summarizing the activities and accomplishments of the Farm Credit Administration (FCA or Agency) Office of Inspector General (OIG) for April 1, 2019 through September 30, 2019.

This reporting period was marked by the loss of FCA Chairman Dallas Tonsager, who passed away in May. Mr. Tonsager's term on the FCA Board capped a long career dedicated to the advancement of agricultural and rural communities, which included service as Under Secretary for Rural Development at the U.S. Department of Agriculture and a previous term on the FCA Board. He will be remembered as a fierce advocate for farmers, ranchers, and rural America and will be greatly missed at FCA.

Succeeding Mr. Tonsager is Glen R. Smith, who was designated as FCA Chairman and Chief Executive Officer by President Trump on July 17, 2019. I look forward to maintaining direct and open lines of communication with Chairman Smith and Board Member Jeffery S. Hall. Such communication enables the OIG to keep the Board fully and currently informed concerning serious problems facing the Agency.

The past six months have seen continued excellence from the OIG's audit, inspection, evaluation, and investigative functions. Highlights of the reporting period include an audit on FCA's progress in updating stress testing guidance and the Agency's use of stress testing-related data and tools in providing oversight of Farm Credit System institutions. We also completed an audit on the effectiveness of FCA's process for obtaining contractor background investigations. I am also pleased to report that the OIG's audit program received the highest possible rating during our external peer review. These and other OIG oversight activities continue to deliver valuable perspectives to the FCA Board, senior leadership, and other stakeholders.

Our office continued to participate extensively in the Inspector General community during this reporting period. I am honored to serve as the Vice Chair of the Inspection and Evaluation (I&E) Committee of the Council of the Inspectors General on Integrity and Efficiency, which maintains professional standards, oversees the I&E peer review process, and highlights the varied I&E products. Through our work on the I&E Committee, I hope to leverage the knowledge and experience of OIG staff to improve oversight government-wide.

Finally, in September we adopted a new strategic plan for fiscal years 2020 to 2024. Developed with input from all OIG staff and assistance from a Washington Center intern, the plan sets forth the vision, mission, values, and goals that will guide the OIG's oversight in the coming years. As FCA grapples with the impacts of trade, immigration issues, declining farmland values, destructive weather events, and other challenges, I trust that our new strategic plan will serve the OIG well as we strive to promote value and integrity in Agency programs and operations.



Wendy R. Laguarda  
Inspector General



# ACRONYMS & ABBREVIATIONS

<b>AIGAIE</b>	Assistant Inspector General for Audits, Inspections, and Evaluations
<b>CIGIE</b>	Council of the Inspectors General on Integrity and Efficiency
<b>Farmer Mac</b>	Federal Agricultural Mortgage Corporation
<b>FCA or Agency</b>	Farm Credit Administration
<b>FY</b>	Fiscal Year
<b>I&amp;E</b>	Inspection and Evaluation
<b>IG</b>	Inspector General
<b>IG Act</b>	Inspector General Act of 1978, as amended
<b>IPERA</b>	Improper Payments Elimination and Recovery Act of 2010
<b>OIG</b>	Office of Inspector General
<b>OIT</b>	Office of Information Technology
<b>OMB</b>	U.S. Office of Management and Budget
<b>Pub. L.</b>	Public Law
<b>System</b>	Farm Credit System
<b>U.S.</b>	United States

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## The Farm Credit System

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

As of the end of the reporting period, the System consisted of three farm credit banks, one agricultural credit bank, one federal land credit association and 67 agricultural credit associations that primarily make loans to agriculture in all 50 states and Puerto Rico, as well as five service corporations that provide administrative, technology-related, and other support services to certain System entities and eligible borrowers. The System raises funds by selling securities in the national and international money markets through the Federal Farm Credit Banks Funding Corporation.

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

## The Farm Credit Administration

The Farm Credit Administration (FCA or Agency) is the independent federal agency responsible for ensuring that the System remains a dependable source of credit for agriculture and rural America. Authorized by the Farm Credit Act of 1971, as amended, FCA ensures the safety and soundness of System institutions by issuing policies and regulations, and by regularly examining System institutions to assess compliance with applicable laws and regulations. FCA has approximately 300 full- and part-time employees distributed across five offices nationwide.

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

## The Office of Inspector General

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

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<sup>1</sup> 5 U.S.C. app.

preventing and detecting fraud, waste, and abuse; and keeping the FCA Board and Congress fully and currently informed about problems and deficiencies related to FCA.

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

The OIG is led by Wendy Laguarda, who has served as the IG since August 2017. During the reporting period, the office added a new position, the Assistant Inspector General for Audits, Inspections, and Evaluations (AIGAIE). The new AIGAIE supervises the audit staff and oversees the audit, inspection, and evaluation functions. The investigator and counsel continue to report directly to the IG, as set forth below.



### **The Council of the Inspectors General on Integrity and Efficiency**

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

In September 2019, the OIG adopted a new five-year [strategic plan for fiscal years \(FYs\) 2020 to 2024](#). The plan details the vision, mission, values, goals, and objectives of the OIG in carrying out its responsibilities under the IG Act and establishes certain performance measures against which the OIG will benchmark its performance.

The OIG's vision, mission, values, and goals are outlined below.

## **Vision**

Harvesting Change

## **Mission**

To provide independent oversight to promote economy, efficiency, and effectiveness, and prevent and detect fraud, waste, and abuse in Farm Credit Administration programs and operations

## **Values**

Objectivity, Integrity, Relevance, and Respect

## **Goals**

- 1) Promote Economy and Efficiency
- 2) Prevent and Detect Fraud, Waste, and Abuse
- 3) Strengthen Internal and External Relationships



The OIG's [strategic plan for FYs 2018 and 2019](#) sets forth several qualitative and quantitative measures against which the OIG assesses its performance. The following describes some of the OIG's actions during the reporting period that were relevant to those performance measures.

**Efficiencies** have been gained through cross-training, allowing the OIG to optimize everyone's knowledge and skills and ensure that its small staff of six ably meets the demands of providing oversight to FCA.

**Completion time of OIG work assignments** has been appropriate based on the complexity and unique nature of each assignment.

**Of the seven audit, inspection, and evaluation recommendations** made during this reporting period, all were accepted.

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

**Interaction with Congress** remains strong, as the IG met with majority and minority staff from FCA's Senate and House oversight committees to discuss OIG activities.

**Communication with the FCA Board and management** is an ongoing priority of the office. During this reporting period, the OIG held two quarterly briefings with each board member and provided individual briefings, upon request, on our audit, inspection, and evaluation products. The OIG also solicited input from board members and management regarding a new management challenge identified on data quality and analysis.

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

**Outreach efforts** during the reporting period included two quarterly issues of the *dIG* (the OIG's intra-FCA newsletter), two training sessions for newly-hired FCA employees, and promotion of the OIG hotline by the distribution of newly-designed OIG posters throughout the Agency.

**Participation in CIGIE** is integral to everyone's job in the OIG, and staff members are actively involved with various CIGIE committees and initiatives. Of note, the IG accepted the opportunity to serve as Vice Chair of the CIGIE Inspection and Evaluation (I&E) Committee.

**Training taken** during this reporting period covered a range of subjects pertinent to the OIG's mission, including audits, investigations, legal issues, and information technology. Regular training ensures that OIG personnel are well-equipped to deliver credible oversight products and allows OIG staff to pursue career development opportunities.

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

The OIG regularly completes audits, inspections, and evaluations of FCA programs and operations. In so doing, OIG personnel seek to provide timely, credible, and relevant information to Agency leadership, Congress, other stakeholders, and the general public. FCA OIG audits are performed in accordance with *Government Auditing Standards* issued by the U.S. Government Accountability Office, while inspections and evaluations adhere to the CIGIE *Quality Standards for Inspection and Evaluation*.

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

Reports issued may be found on the [OIG's website](#) within three days of issuance to the FCA Board. To receive a notification when a new report is published, please [subscribe](#) to the OIG mailing list. Reports are also posted on [Oversight.gov](#), a consolidated repository for the oversight work of federal inspectors general. Oversight.gov allows users to sort, search, and filter the site's database to find reports of interest. Users can receive notifications when new reports are added to Oversight.gov by following CIGIE's Twitter account, [@OversightGov](#).

## Summaries of Reports Issued

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

### **FCA's Stress Testing Guidance, and Use of Data and Analytical and Examination Tools A-19-01**

Maintaining an effective examination and supervision program helps ensure that System institutions operate safely and soundly, comply with relevant law, and provide a dependable source of credit for agriculture and rural America. Accordingly, the OIG has consistently considered FCA's examination and supervision program as one of the [top management challenges](#) facing the Agency.

One way the Agency promotes safety and soundness is by providing guidance on and examining System institutions' use of stress testing. Stress testing is a risk management tool used by financial institutions to plan for potentially adverse events that could impact their financial condition, helping them respond to and mitigate risks. In March 2018, FCA's Office of Regulatory Policy completed a stress testing project that resulted in several recommendations on how to enhance FCA's oversight and improve System institutions' use of stress testing. FCA opted to implement those recommendations in phases.

The objective of this audit was to assess FCA's progress in updating its stress testing guidance and its development and implementation of stress testing-related analytical and examination tools. The OIG reviewed FCA guidance, examination procedures,

examination workpapers and reports; and interviewed FCA personnel with responsibilities related to stress testing.

The OIG found that FCA has made progress in updating its stress testing guidance and plans to issue additional related guidance. While it does not itself perform stress tests of System institution financial or loan data, FCA is developing and implementing tools that will enhance its ability to perform systemic risk and data analysis and cultivating related skills in Agency staff. The audit's review of examination procedures and documentation did not reveal any significant deficiencies related to FCA examiners' coverage of stress testing.

The OIG recommended that the Agency develop a project plan to ensure the timely completion of various tasks related to stress testing. FCA concurred with the recommendation.

The [audit report](#) was issued to the FCA Board on September 19, 2019.

### **FCA's Process for Contractor Background Investigations A-19-02**

The OIG has consistently identified the maintenance of a well-trained, sustainable workforce as a [top management challenge](#) facing FCA. One of the ways that FCA ensures it has the appropriate personnel to carry out its mission is by using contractors. In performing work for the Agency, contractor employees often need access to FCA facilities, equipment, systems, and data. Before granting such access, though, the Agency must determine whether their retention is consistent with the public trust and the integrity and efficiency of the government. In many cases, this determination requires that the individual undergo a background investigation.

FCA's Personnel Security Officer is tasked with developing Agency personnel security policies and procedures, designating the sensitivity of positions, scheduling background investigations, evaluating investigative reports, adjudicating investigations, and monitoring the Personnel Security and Suitability Program. With respect to contractor positions, the Personnel Security Officer works with Agency contracting personnel and contracting officer's representatives to implement background investigation requirements.

The objective of this audit was to examine the effectiveness of FCA's process for obtaining background investigations for contractors. In carrying out this audit, the OIG reviewed relevant policies and procedures, interviewed responsible personnel, and reviewed a sample of case files documenting investigations of Agency contractor employees. The OIG also reviewed internal controls and certain Agency contracting practices pertaining to background investigation requirements.

The OIG found that investigation monitoring files generally included appropriate documentation but noted certain exceptions. The review also determined that certain internal controls were not implemented in accordance with Agency policies and procedures. The OIG identified several opportunities for FCA to strengthen controls over its monitoring of and otherwise improve the Agency's contractor background

investigation process. In total, the OIG made six recommendations for corrective action. The Agency concurred with all six recommendations.

The [audit report](#) was issued to the FCA Board on September 26, 2019.

## Recommendations for Corrective Action

Table 1 shows all recommendations for corrective action made during the reporting period.

**Table 1**

Report	Recommendation
FCA's Stress Testing Guidance, and Use of Data and Analytical and Examination Tools	<p>1 The Office of the Chief Operating Officer needs to develop a project plan with milestones to ensure the timely completion of the following tasks related to stress testing:</p> <ul style="list-style-type: none"> <li>• Identify the direction of the FCA with respect to stress testing;</li> <li>• Finalize guidance related to model risk management and stress testing expectations;</li> <li>• Ensure examiners are provided with training on above guidance;</li> <li>• Update examination manual to reflect content included in above guidance; and</li> <li>• Ensure adequate staff expertise in stress testing.</li> </ul>
FCA's Process for Contractor Background Investigations	<p>1 Designate and train an Alternate Personnel Security Officer.</p> <p>2 Reconcile and update policies and procedures, including a control to verify the status and accesses for current contractors.</p>

Report	Recommendation
	3 Document justifications for internal control risk ratings for the Personnel Security and Suitability Program.
	4 Develop standard contract language to address contractor background investigation requirements in new contracts.
	5 Develop requirements to document exceptions and justifications in case files.
	6 Evaluate security requirements addressed through the Interim Suitability Assessment process and modify current procedures, as necessary.

## In Progress

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

### **Audit of FCA’s Criminal Referral Process**

System institutions are required by regulation to notify FCA and appropriate law enforcement authorities when they determine there is a known or suspected criminal violation of federal law affecting the System institution’s assets, operations, or affairs. The OIG is reviewing FCA’s criminal referral and follow-up process to determine whether it is effective and efficient.

### **Evaluation of FCA Compliance with the Federal Information Security Modernization Act for FY 2019**

The Federal Information Security Modernization Act of 2014 requires OIGs to annually evaluate their respective agency’s information security program and practices. In accordance with guidance issued by the U.S. Office of Management and Budget (OMB) and the U.S. Department of Homeland Security, the OIG is assessing FCA’s performance with respect to risk management, configuration management, identity and access management, data protection and privacy, security training, information security continuous monitoring, incident response, and contingency planning.

### **Audit of FCA’s Financial Statements for FY 2019**

The Accountability of Tax Dollars Act of 2002 requires FCA to submit to Congress and OMB audited financial statements each fiscal year. The OIG has contracted with an independent public accounting firm to perform the audit of FCA’s financial statements for FY 2019. The OIG is monitoring the work of the firm.

The OIG has broad discretion to carry out investigations related to FCA programs and operations that the IG determines to be necessary or desirable. The range of matters falling within the OIG’s investigative purview is expansive, encompassing potential violations of law, rules, or regulations; mismanagement; abuses of authority; and more. Investigative activities may be initiated upon allegations or referrals received from a variety of sources, including, but not limited to, FCA employees or contractors, congressional committees, System institutions, or members of the public. The OIG may also investigate potential fraud, waste, abuse, and mismanagement identified through proactive investigative projects or audits, inspections, and evaluations.

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

Table 2 summarizes major investigative activity during the reporting period.

**Table 2**

Investigative reports issued <sup>2</sup>	0
Persons referred to state and local prosecuting authorities for criminal prosecution	0

### Complaint Activity

The OIG maintains a hotline that allows FCA employees and others to confidentially report potential fraud, waste, abuse, or mismanagement via telephone, email, or fax at any time. The office also welcomes complaints by mail and in-person. Table 3 shows the OIG’s response to complaints received during the reporting period.

**Table 3**

Action Taken	Number
Formal investigation opened	0
Closed after preliminary inquiry	6
Referred within FCA, involving borrower complaints or allegations of loan fraud	6
Referred to other federal agencies, involving matters outside of FCA OIG jurisdiction	14
Under review at the end of the reporting period	1
<b>Total</b>	<b>27</b>

<sup>2</sup> Reports of investigation resulting from a formal investigation. Does not include memoranda memorializing the referral of complaints or closure of preliminary inquiries.

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

### **Improper Payments Elimination and Recovery Act Compliance Report for FY 2018**

Under the Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012, agencies are required to periodically review their programs and activities to identify and report on those susceptible to significant improper payments. IPERA mandates that each OIG annually review its respective agency's improper payments reporting to determine whether it adheres to IPERA requirements.

The OIG's review found FCA's improper payments reporting to be compliant with IPERA. Specifically, FCA conducted statutorily required risk assessments in FY 2017, determining all programs and activities to be low risk and not susceptible to significant improper payments. Accordingly, the only pertinent reporting requirement applicable to the Agency in FY 2018 was to publish a Performance and Accountability Report, which it did.

On May 15, 2019, the OIG transmitted [its findings](#) to the FCA Board and appropriate oversight bodies in accordance with IPERA and implementing OMB guidance.

### **Survey of Farm Credit System Institutions Regarding the Agency's Examination Function**

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

The OIG issued [one survey report](#) on June 28, 2019, detailing responses from System institutions examined during the first half of FY 2019.

### **2019 Quality Assurance Review**

In accordance with its internal policies, the OIG annually conducts an internal quality assurance review to determine whether internal OIG procedures were established, implemented, and operating effectively. The review for FY 2019 noted no systemic issues or weaknesses and made no recommendations.

## REVIEWS OF LEGISLATION AND REGULATIONS

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

During the reporting period, the OIG reviewed several bills and proposed regulations, including H.R. 2500, the National Defense Authorization Act for FY 2020. The OIG provided comments on proposed legislation through the CIGIE Legislation Committee.



## FCA Employees

The cooperation of FCA employees is essential to all aspects of OIG oversight. Accordingly, the OIG has several ongoing initiatives geared toward educating FCA employees on the OIG's mission and authorities. For example, the OIG publishes a quarterly intra-agency newsletter, the *dIG*, which spotlights the office's functions and provides recent examples of OIG oversight products government-wide. The OIG also participates in orientation trainings for new FCA employees and distributes posters to promote awareness of the OIG hotline.

## Congress

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

## IG Community

The OIG is an active member of the IG community, with staff lending their efforts and expertise to the work of various CIGIE committees and initiatives.

In April, the IG began serving as the Vice Chair of the CIGIE I&E Committee. Headed by U.S. Department of State IG Steve Linick, the Committee maintains professional standards for inspections and evaluations, heads the development of protocols for reviewing cross-agency management issues, oversees the I&E peer review process, and more. The IG also served throughout the reporting period on the CIGIE Legislation Committee, which fosters relationships with Congress, represents the IG community's interests on legislative initiatives, and keeps OIGs apprised of pertinent legislative developments.

In addition to their involvement in the Legislation and I&E Committees, OIG staff participated in the CIGIE I&E roundtable, the CIGIE Audit Committee, and the Council of Counsels to the Inspectors General.

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

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

### **Audit**

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

On September 13, 2019, the National Endowment for the Humanities OIG issued a [final report](#) of its peer review of the FCA OIG audit organization. The FCA OIG received the highest rating of *pass*, with no recommendations for corrective action.

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

### **Inspection and Evaluation**

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

The first peer review of the FCA OIG's I&E function was ongoing at the end of the reporting period.

The FCA OIG did not conduct any I&E peer reviews during the reporting period.

### **Investigation**

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

The FCA OIG did not undergo an investigative peer review during the reporting period. The OIG has volunteered to receive a peer review of our investigation function within the next few years. The [most recent peer review](#) of the FCA OIG's investigative program was performed by the Securities and Exchange Commission OIG for the one-year period ending September 30, 2007.

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

### **Outstanding Recommendations**

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

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

Table 4 lists all audit, inspection, and evaluation reports issued during the reporting period. For each report, Table 4 lists the dollar value of questioned costs (including the dollar value of unsupported costs) and the dollar value of recommendations that funds be put to better use.

**Table 4**

Report Title	Dollar Value of Questioned Costs		Dollar Value of Recommendations that Funds be Put to Better Use
	Total	Unsupported	
FCA's Stress Testing Guidance, and Use of Data and Analytical and Examination Tools	\$0	\$0	\$0
The Farm Credit Administration's Process for Contractor Background Investigations	\$0	\$0	\$0
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

# APPENDIX III: REPORTS WITH QUESTIONED COSTS

Table 5 shows the number of audit, inspection, and evaluation reports issued and the total dollar value of questioned costs associated with those reports.

**Table 5**

<b>Requirement</b>	<b>#</b>	<b>Questioned Costs</b>	<b>Unsupported Costs</b>
(A) Reports for which no management decision had been made by the commencement of the reporting period	0	\$0	\$0
(B) Reports issued during the reporting period	2	\$0	\$0
Subtotal (A+B)	2	\$0	\$0
(C) Reports for which a management decision was made during the reporting period, including—	2	\$0	\$0
(i) the dollar value of recommendations that were agreed to by management		\$0	\$0
(ii) the dollar value of recommendations that were not agreed to by management		\$0	\$0
(D) Reports for which no management decision has been made by the end of the reporting period	0	\$0	\$0

Table 6 shows the number of audit, inspection, and evaluation reports issued with recommendations that funds be put to better use.

**Table 6**

<b>Requirement</b>	<b>#</b>	<b>Unsupported Costs</b>
(A) Reports for which no management decision had been made by the commencement of the reporting period	0	\$0
(B) Reports issued during the reporting period	2	\$0
Subtotal (A+B)	2	\$0
(C) Reports for which a management decision was made during the reporting period, including—	2	\$0
(i) the dollar value of recommendations that were agreed to by management		\$0
(ii) the dollar value of recommendations that were not agreed to by management		\$0
(D) Reports for which no management decision has been made by the end of the reporting period	0	\$0

# APPENDIX V: OPEN RECOMMENDATIONS

Table 7 includes summary information regarding audit, inspection, and evaluation reports issued before April 1, 2019 for which there are outstanding unimplemented recommendations, including the aggregate potential cost savings of those recommendations. There were no reports issued before the commencement of the reporting period for which no management decisions had been made by the end of the reporting period or no comment was returned within 60 days.

**Table 7**

Report	Outstanding Unimplemented Recommendations	Aggregate Potential Cost Savings
OIG 2017 Evaluation of the Farm Credit Administration’s Compliance with the Federal Information Security Modernization Act (October 27, 2017)	1	\$0
OIG 2018 Evaluation of the Farm Credit Administration’s Compliance with the Federal Information Security Modernization Act (October 31, 2018)	4	\$0
<b>Total:</b>	<b>5</b>	<b>\$0</b>

Tables 8 identifies recommendations made during previous reporting periods for which corrective action had not been completed as of September 30, 2019.

**Table 8**

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

Report	Recommendation
	5 OIT needs to develop policies and procedures related to preventing data exfiltration.
<hr/> OIG 2017 Evaluation of the Farm Credit Administration's Compliance with the Federal Information Security Modernization Act	1 To [FCA's Office of Information Technology (OIT)] (not released publicly) <sup>3</sup> <hr/>

<sup>3</sup> Information withheld from public disclosure pursuant to 44 U.S.C. § 3555(f).



The following is an index to IG Act reporting requirements.

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5(a)(4)	Matters referred to prosecutive authorities	9
5(a)(5)	Reports of information or assistance unreasonably refused or not provided	None
5(a)(6)	Audit, inspection, and evaluation reports issued	15
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5(a)(8)	Management decisions with respect to questioned costs	16
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5(a)(10)	Reports issued before the reporting period for which no management decision has been made, for which no comment was returned, and for which there are outstanding unimplemented recommendations	18
5(a)(11)	Significant revised management decisions	None
5(a)(12)	Significant management decisions with which the IG disagrees	None
5(a)(13)	Information described under section 804(b) of the Federal Financial Management Improvement Act of 1996	None
5(a)(14)-(15)	Peer reviews conducted by another OIG	13-14
5(a)(16)	Peer reviews conducted by the FCA OIG	13-14
5(a)(17)	Statistical tables for investigations and referrals	9
5(a)(18)	Metrics for developing investigative statistics	9
5(a)(19)	Investigations involving a senior government employee where allegations of misconduct were substantiated	None
5(a)(20)	Instances of whistleblower retaliation	None
5(a)(21)	Attempts to interfere with OIG independence	None
5(a)(22)(A)	Closed audits, inspections, and evaluations not disclosed to the public	None
5(a)(22)(B)	Closed investigations involving a senior government employee not disclosed to the public	None

There were no contract audit reports issued during the reporting period that would be reportable under section 845 of the National Defense Authorization Act of 2008.<sup>4</sup>

<sup>4</sup> Pub. L. 110-181 (Jan. 28, 2008).



Farm Credit Administration  
Office of Inspector General

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

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

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