

FARM CREDIT
ADMINISTRATION
OFFICE OF
INSPECTOR GENERAL

SURVEY REPORT

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

Third and Fourth Quarters
Fiscal Year 2023
(April 1, 2023 - September 30, 2023)

Issued March 29, 2024



Farm Credit Administration
Office of Inspector General

Executive Summary

Survey of Farm Credit System Institutions Regarding the Agency’s Examination Function Third and Fourth Quarters Fiscal Year 2023 (April 1 – September 30, 2023)

The System institutions we asked to respond to the survey are those institutions that:

1. Received a Report of Examination during the FY quarters; or
2. Had significant examination activity and interface with OE during the same period.

The survey contains 11 statements and asks respondents to rate eight of those statements as:

- | | |
|----------------------------|---|
| Completely Agree | 1 |
| Agree | 2 |
| Neither Agree nor Disagree | 3 |
| Disagree | 4 |
| Completely Disagree | 5 |
| Does Not Apply | 6 |

Each fiscal year (FY) quarter, the Farm Credit Administration Office of Examination (OE) identifies Farm Credit System (System) institutions that can provide meaningful survey responses for that period. The Office of Inspector General (OIG) provides a survey report semiannually with two quarters of survey responses. This report includes the response data for the third and fourth quarters of FY 2023, as well as some historical data for comparison. This report also includes a summary of FY 2023 numeric ratings.

OE identified a total of 23 System institutions to survey for the third and fourth quarters of FY 2023 (April 1 – September 30, 2023). OIG sent surveys to those institutions and 21 institutions completed the survey (91% response rate). For the third quarter, OIG sent the survey to the institutions on August 16, 2023, and received responses through October 5, 2023. For the fourth quarter, OIG surveyed the institutions on November 17, 2023, and received responses through January 10, 2024.

The table below shows quarterly average numerical rating ranges and total average numerical ratings for survey statements 1-10. A “1” reflects a positive rating and a “5” reflects a negative rating.

Average Numerical Ratings

FY23 Quarter	Average Numerical Rating Range	Total Average Numerical Rating
Fourth	1.3 – 2.2	1.7
Third	1.5 – 2.0	1.7
Second	1.4 – 1.9	1.6
First	1.3 – 2.0	1.8

OIG lists comments with any perceived negative feedback separately for survey statements 1-8 and 11 in this report. We include statistical information about the negative comments in a separate report section.

TABLE OF CONTENTS

ACRONYMS and ABBREVIATIONS	1
BACKGROUND AND METHODOLOGY	1
SURVEY RESULTS	2
EXAMINATION PROCESS	2
Statement #1	2
Statement #2	4
Statement #3	5
Statement #4	6
COMMUNICATIONS	7
Statement #5	7
Statement #6	8
Statement #7	9
Statement #8	10
GENERAL QUESTIONS	11
Statement #9	11
Statement #10	12
Statement #11	13
Request for OIG Contact	14
STATISTICAL INFORMATION ON NEGATIVE COMMENTS	14
SUMMARY OF NUMERICAL RATINGS FOR FISCAL YEAR 2023	15

ACRONYMS and ABBREVIATIONS

EIC	Examiner-in-Charge
FCA	Farm Credit Administration
FCS	Farm Credit System
FY	Fiscal Year
MRA	Matter Requiring Attention
OE	Office of Examination
OIG	Office of Inspector General

BACKGROUND AND METHODOLOGY

Each fiscal year (FY) quarter the Farm Credit Administration (FCA) Office of Examination (OE) identifies Farm Credit System (FCS or System) institutions that can provide meaningful survey responses for that period. The criteria for including a System institution in the survey are:

1. The institution received a Report of Examination during the FY quarter; or
2. There was significant examination activity and interface with an institution during the same period.

The Office of Inspector General (OIG) generally provides a survey report semiannually for two quarters of survey responses for the periods extending from October 1 through March 31 and April 1 through September 30. This report includes the response data for the third and fourth quarters of FY 2023 and summary data for FY 2023. For the third quarter, OIG sent the survey to the institutions on August 16, 2023, and received responses through October 5, 2023. For the fourth quarter, OIG surveyed the institutions on November 17, 2023, and received responses through January 10, 2024.

The survey asks respondents to rate eight survey statements from "1" (Completely Agree) to "5" (Completely Disagree), or "6" if the statement does not apply. The rating choices are:

Completely Agree	1
Agree	2
Neither Agree nor Disagree	3
Disagree	4
Completely Disagree	5
Does Not Apply*	6

*We do not include ratings of "6" in rating averages because a "6" will skew the numerical average negatively even though the statement is not applicable to the institution.

For survey statements 1-8, we provide the quarterly average numerical ratings. For comparison, we provide the two most recent FYs for which survey data was collected (FYs 2021 and 2022 for this report). Statements 9-11 are not numerically rated.

Survey statements 1-4 pertain to the examination process generally and statements 5-8 pertain specifically to communications during the examination. Statements 9-11 solicit narrative feedback on the examination process. Respondents may submit comments for each of the 11 survey statements.

The report includes narrative responses verbatim, except certain information identifying the institution or examiners has been removed (e.g., institution and examiner names and dates). Additionally, we corrected spelling and punctuation errors and spelled out some acronyms or abbreviations. We include bracketed text to show where we removed identifying information or to provide clarification to a response. We list comments with any perceived negative feedback separately for survey statements 1-8 and 11.

At the end of the survey we ask whether the respondent would like the OIG to contact the institution confidentially to discuss the institution’s submitted responses.

SURVEY RESULTS

EXAMINATION PROCESS

Statement #1

The scope of examination activities was focused on areas of risk to the institution and appropriate for the size, complexity, and risk profile of the institution.

Average Numerical Ratings by FY Quarter

FY	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	FY Average*
2023	1.7	1.6	1.8	1.8	1.7
2022	1.9	2.2	2.3	2.2	2.1
2021	N/A	1.9	1.8	1.7	1.8

*FYs 2023 and 2022 averages were calculated using aggregated response data. Prior FY averages were calculated using the average of the quarterly averages shown in the table.

Comments:

- We felt the scope of the exam was appropriate for our institution.
- Our exam seemed appropriately focused.
- The institution does fit the criteria of a small institution and has not had official notice that it has received that designation. It was discussed with the EIC during the exit.
- Given the recent merger of [institution names removed], the exam had an appropriately limited scope. This was appreciated given some data was still being consolidated.
- The exam was quite broad and thorough and covered key areas such as Finance/Treasury as well as items related to the merger and related integration.

- The exam was well-planned and aligned with the appropriate risk factors of the institution.
- The scope of examination activities appeared to be comprehensive and appropriately addressed the risks within and facing the organization. Our institution has made a considerable investment to develop and maintain a strong control environment, which was considered by the FCA as part of their examination activities. While the scope of recent examinations has been heavily weighted towards reputation risk associated with similar entity lending, we believe the additional effective controls we have employed at the direction of the agency should allow the examiners to lessen their focus on this area in future examinations. We trust that the FCA will find our approach to remaining open examination issues are not only reasonable, but prudent in continuing to achieve the institution's mission to serve rural America.
- The exam focus was risk based and in line with the [National Oversight Plan].

Comments perceived with negative feedback:

- This rating reflects the "one-size-fits-all" approach utilized by FCA for examinations and testing of regulatory requirements. We do appreciate FCA considering a different scope based on size, complexity and risk profile of the institution. However, it does not reduce the regulatory burden of the institution because the regulatory requirements published by FCA are for everyone and a \$4 billion institution must respond, just like a \$20 billion institution. Regulatory burden is one of the main reasons for the diminishing number of small- and intermediate-sized Farm Credit institutions and the primary reason for the substantial increase in the number of institutions with greater than \$10 billion in total assets. Other bank regulators consider asset size when establishing regulatory requirements. To clarify requirements and reduce regulatory burden, FCA should establish different regulatory requirements and examination practices for:
 1. Institutions with less than \$1 billion in total assets,
 2. Institutions with \$1 billion to \$4 billion in total assets; and,
 3. Institutions with greater than \$4 billion in total assets.
- We somewhat disagree. The organization is a FIRS 1 institution as determined by FCA. In addition, we have an extended history of no concerns recognized by external and internal (independent) auditors, reviewers and consultants reporting to the audit committee and board. All of which FCA has access to timely review. There has been little turnover in organization leadership, with a tenured leadership team and board. However, FCA exams continue to be lengthy and cumbersome to the organization. FCA does not appear to take into consideration the risk profile of the institution when preparing, scoping and completing the exam.
- Generally, yes; however, we were surprised that during the loan review portion of this examination cycle the lead examiner stated that risk identification was not a main focus of the examination. It seems that a risk-based examination approach would always include risk identification as a main component of an examination of a financial lending institution.
- Scope of overall exam was appropriate, however the scope of the internal credit review sample was relatively small considering the findings related to [the internal credit review].

Statement #2

Examiners appropriately applied laws, regulations, and other regulatory criteria to examination findings and conclusions.

Average Numerical Ratings by FY Quarter

FY	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	FY Average*
2023	1.8	1.6	1.5	1.7	1.7
2022	2.2	1.9	2.0	1.8	2.0
2021	N/A	1.7	1.9	1.5	1.7

*FYs 2023 and 2022 averages were calculated using aggregated response data. Prior FY averages were calculated using the average of the quarterly averages shown in the table.

Comments:

- Examiners appropriately applied laws, regulations and other regulatory criteria to our findings and conclusions.
- When appropriate the examiners cited specific guidelines for us to better understand the reasons for the findings.
- The examiners did a good job using exam manuals as well as referenced [informational memoranda] and other FCA guidance.
- We do believe for the most part examiners appropriately applied laws, regulations, and other regulatory criteria to the examination. This is a significant improvement from the prior exam whereby examiners relied on their individual opinions, interpretations, and personal expectations not written in regulations to deliver matters requiring attention.
- The examiners demonstrated efficiency in ensuring the conclusions were aligned with established standards of laws and regulations.
- Examiners appeared knowledgeable regarding updated regulations (SOC) as well as general exam procedures.

Comments perceived with negative feedback:

- We would have rated this as "Agree," if it were not due to the experience we had at the end of our examination. A week after our close-out call and two days before our report was issued, our EIC called us to let us know they were adding an MRA to our report. It was added based on the Horizontal Examination results for Standards of Conduct (which was still in draft form and not released yet). The EIC did an excellent job of communicating with us, and we provided documentation to reflect our work, which reduced the potential MRAs from two to one. It was frustrating for FCA staff and institution staff to be examined based on a draft Horizontal Examination report that neither of us had an opportunity to address. Institutions should not be examined based on draft regulation or information memorandums.
- Although regulations are written with good intentions, reasonable interpretations of regulations must be allowed for the System to continue to meet its mission in a constantly evolving marketplace. While FCA examiners are well-versed on the application of the regulations, they do not appear to be empowered to apply their interpretation of the

regulations—often required to seek counsel from FCA's legal division. This practice has made dialogue on important regulatory issues very difficult, as FCA's legal division has not allowed for direct communications with our institutions' staff.

- Generally, yes; however, the Matters Requiring Attention for our examination were not based on regulatory criteria and included reevaluation of areas that are regularly (annually) evaluated by the board of directors.
- While examiners appropriately applied laws, regulations, and other regulatory criteria, such "other regulatory criteria" have generally not been subject to well-vetted processes, including a public comment period. In addition, some standards imposed by examiners are not published at all. Any criteria to which the institution will be measured against should be well-defined and clearly communicated through official channels.
- A couple of the findings did not seem directly related to laws, [regulations], etc., but they were helpful.

Statement #3

The matters requiring attention and any supervisory agreement with FCA assisted the board and management in addressing the risks of the institution.

Average Numerical Ratings by FY Quarter

FY	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	FY Average*
2023	2.0	1.6	1.7	1.7	1.8
2022	2.1	2.3	2.4	2.3	2.2
2021	N/A	2.0	1.7	1.7	1.8

*FYs 2023 and 2022 averages were calculated using aggregated response data. Prior FY averages were calculated using the average of the quarterly averages shown in the table.

Comments:

- MRAs assisted the board and management in addressing our risks.
- The FCA attended our August, 2023 board meeting in person to discuss and review the exam, the findings and the matters requiring attention by management.
- There were minimal findings/observations in the report of examination but the results were valuable to not only note areas that could be improved or considered but also the positive results indicated that things were going well at the institution.
- The examiners placed emphasis on the institution's recent crop insurance service and provided recommendations on enhancing the effectiveness.
- Compared to preceding examinations, examiners prudently determined whether issues were sufficiently addressed through an MRA or an observation. Further, they appropriately allowed management to address observations and take immediate corrective actions when appropriate. As a result, areas raised to the attention of the Board were consistent with board oversight responsibilities and commensurate with the risk presented.
- MRAs were concise and clear. Supervisory requirements were thorough and provided a clear message on expectations for our institution.
- We had no MRAs related to our exam.

Comments perceived with negative feedback:

- Exam comments were addressed by management and the board, although not all comments or opinions were helpful or enhanced the operation and/or mitigated the risk characteristic of the organization. Some criticism and recommendations were just a difference of opinion to reach the same conclusion.
- The MRAs noted on our ROE did not specifically address any material risks of our institution.

Statement #4

The examiners were professional and efficiently conducted examination activities.

Average Numerical Ratings by FY Quarter

FY	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	FY Average*
2023	1.3	1.4	1.5	1.3	1.4
2022	1.8	1.5	1.9	1.5	1.6
2021	N/A	1.2	2.0	1.4	1.5

*FYs 2023 and 2022 averages were calculated using aggregated response data. Prior FY averages were calculated using the average of the quarterly averages shown in the table.

Comments:

- Examiners were very professional and efficient.
- Everyone was professional and were very knowledgeable in their areas of expertise.
- We were very pleased with the Examiner-In-Charge, Supervisory Official, EIC-Trainee and the entire team. This was the best examination team we have worked with in 15 years.
- The team of examiners this time was well above average in both experience levels and interpersonal skills.
- The examiners professionalism resulted in a positive exam for the institution.
- FCA examiners were very professional and productive. Additionally, the FCA continued to deploy skilled resources (credit, technology, operations risk, assurance, management, etc.) that were able to effectively and efficiently evaluate the risks within the organization. However, it should be noted that lending authorities, and associated similar entity authorities, are complicated and the knowledge and expertise needed to evaluate compliance requires significant experience.
- Examiners made efficient use of everyone’s time and kept meetings to a minimum.
- The exam staff was very courteous and professional during the examination. In some cases, they requested items that had already been provided, but we were able to direct them to the information to help them accomplish their duties.
- [Name removed], EIC, was professional and excellent to work with. All members of the FCA Team were professional at all times during the exam.

Comments perceived with negative feedback:

- The exam team was professional and courteous. However, the examination was inefficient and again took far too long with in-depth exam procedures piecemealed over 90 days,

and the examination results reported seven months after the examination began. There were no matters requiring attention.

- The exam seemed to take too long.

COMMUNICATIONS

Statement #5

Communications between the Office of Examination staff and the institution were clear, accurate, and timely.

Average Numerical Ratings by FY Quarter

FY	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	FY Average*
2023	1.7	1.9	1.8	1.4	1.7
2022	1.8	1.7	2.1	1.6	1.8
2021	N/A	1.7	2.0	1.7	1.8

*FYs 2023 and 2022 averages were calculated using aggregated response data. Prior FY averages were calculated using the average of the quarterly averages shown in the table.

Comments:

- Communication has greatly improved over the last three years, including with this Report of Exam.
- Communication between exam staff and institution staff was very good.
- Communications were clear, accurate and timely. Everyone was respectful of our time.
- It was a relatively pleasant exercise and there were no surprises. The examiners did a good job in their communications regarding potential items of note.
- Communication was adequate.
- The examiners demonstrated a great level of openness and transparency during each of the institution's communication sessions throughout the exam period.
- Generally, yes; however, it may be helpful to have more senior examiner oversight of the examination process and conclusions prior to the exit meeting with the institution.

Comments perceived with negative feedback:

- Multiple members of our leadership team have scheduled recurring monthly/quarterly update calls with the FCA examiners to ensure the flow of information is clear, accurate and timely. These formal communications have proved to be very effective. Additionally, quarterly update meetings with executive management allow for timely discussion of organization matters and for the FCA to provide management with updates on ongoing examination activities and other agency topics noteworthy of discussion. However, there continues to be an opportunity for enhanced communications regarding regulatory questions raised during the examinations. The process of raising issues to FCA's legal division did not allow management to fully support their position through discussion directly with the legal division, and resulted in significant differences in opinion regarding application of the regulations and the Act. As a result, management was not provided

sufficient opportunity to provide management's position on several issues important to achieving the institution's mission.

- It would have been helpful to have a kickoff meeting with introductions and more frequent status updates while onsite and throughout the exam.
- Written communications in the form of the final exam were clear and accurate. However, delivery of the final exam report was delayed and the Executive Management Team (except for the CEO) had limited opportunity to engage with FCA during the exam delivery process.
- Communications were clear. There were some delays in communications and final report due to staff changes (our EIC was promoted and new EIC assigned). SOC exam activity results were also delayed due to exam team communication/coordination with HEA team leading SOC activities.

Statement #6

Examination communications included the appropriate amount and type of information to help the board and audit committee fulfill their oversight responsibilities.

Average Numerical Ratings by FY Quarter

FY	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	FY Average*
2023	1.6	1.6	1.6	1.8	1.7
2022	1.6	1.9	1.8	1.9	1.8
2021	N/A	1.4	1.8	1.4	1.5

*FYs 2023 and 2022 averages were calculated using aggregated response data. Prior FY averages were calculated using the average of the quarterly averages shown in the table.

Comments:

- In person visit was beneficial.
- The FCA attended our August 2023, board meeting in person to discuss and review the exam, the findings and the matters requiring attention by management.
- The Examination Team also presented the results in person at our [month removed] board meeting. This is the first time FCA staff has been on-site since 2018. The Board and Management Team appreciated the new report format and the presentation.
- The opening conference appropriately covered the areas that were going to be examined and communication during the exam all the way through the closeout meeting was appropriate.
- Communications did include the appropriate amount and type of information relevant to the board and audit committee.
- The lead examiner proactively submitted the final report to management and provided sufficient time for addressing the MRAs.
- The examiners provided complete and detailed communications in the form of ongoing verbal updates, close-out meetings with the various management teams, a formal readout of results with executive management, a presentation of examination results to the Board, and the written final Report of Examination.
- Yes, the ROE and board presentation were effectively communicated.

Comments perceived with negative feedback:

- We would have appreciated a written summary of findings at the exit conference. Availability of the final exam report was only 24 hours before the exam report delivery.
- Our board and management have differing views on the new report format. While many appreciate the conciseness of the new format, others found the lack of scope detail resulted in lack of clarity regarding overall exam coverage.
- Although the institution appreciates the condensed report provided, it places more importance on the communication from the EIC to provide useful direction and support on the depth of the audit and findings.

Statement #7

Examiners fairly considered the views and responses of the board and management in formulating conclusions and matters requiring attention.

Average Numerical Ratings by FY Quarter

FY	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	FY Average*
2023	2.0	1.6	2.0	1.6	1.8
2022	1.9	1.6	2.5	2.0	2.0
2021	N/A	1.7	1.8	1.5	1.7

*FYs 2023 and 2022 averages were calculated using aggregated response data. Prior FY averages were calculated using the average of the quarterly averages shown in the table.

Comments:

- We had good discussion with the examiners and they considered our views and responses.
- The examiners were always willing to engage in discussions with all levels of management, staff and board members and were very accepting of feedback.
- Management appreciated the Exam Team’s willingness to ask questions and consider our views and responses. The open dialogue created a more productive and efficient exam.
- The examiners were very reasonable and collaborative with the board and management.
- Exam leadership did improve regarding the fair consideration of views and responses from the board and management in formulating conclusions.
- The examiners took into consideration the questions and concerns posed by the Board and management prior to finalizing the report.
- Generally, yes. We recognize that we are not always going to agree.

Comments perceived with negative feedback:

- Examiners fairly consider the Board's views and responses for the examiners to consider in formulating their conclusions and recommendations. Conversations held between examiners and certain board members throughout the Examination were effective. The Exam team and Examiner-In-Charge (EIC) had significant discussions with management and appropriately considered their views before finalizing recommendations during the statutory examination. However, as addressed under Question #5 above, direct

communication regarding issues raised through FCA's legal division during the examination could be improved to foster productive consensus on significant issues.

- More clarity behind the FIRS rating would be beneficial to both the Board and management. There is the feeling that once an examiner presents an open question, potential gap, or draft finding that their mind is made up and no additional evidence or discussion will change that thought process.
- While certain responses were taken into account, one important Board and management explanation was not credited in the final exam report.

Statement #8

FCS-wide guidance from the Office of Examination was proactive and helpful.

Average Numerical Ratings by FY Quarter

FY	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	FY Average*
2023	2.0	1.6	1.7	2.2	1.9
2022	2.0	2.2	2.3	1.8	2.1
2021	N/A	1.8	2.0	1.9	1.9

*FYs 2023 and 2022 averages were calculated using aggregated response data. Prior FY averages were calculated using the average of the quarterly averages shown in the table.

Comments:

- We are always looking for more pro-active guidance and not just at exam time.
- [The institution] thoroughly reviews all FCA guidance when it is issued and routinely involves the institution’s board when appropriate.
- FCS-wide guidance from the Office of Examination in the form of the annual National Oversight Plan, various information memorandums, and other non-formal communication are all very helpful in the understanding of direction and requirements. We encourage the FCA to continue to apply a collaborative process in the development of regulatory guidance.
- Overall guidance was very good. We did get asked about Concentration Risk Management EM 22.4 which came out in the same month as the date of our report. Additional time to prepare for very recent guidance or some grace period would be beneficial.

Comments perceived with negative feedback:

- See Question 1a and 2a responses. [provided here for ease of reference]
 - This rating reflects the "one-size-fits-all" approach utilized by FCA for examinations and testing of regulatory requirements. We do appreciate FCA considering a different scope based on size, complexity and risk profile of the institution. However, it does not reduce the regulatory burden of the institution because the regulatory requirements published by FCA are for everyone and a \$4 billion institution must respond, just like a \$20 billion institution. Regulatory burden is one of the main reasons for the diminishing number of small- and intermediate-sized Farm Credit institutions and the primary reason for the substantial increase in the number of institutions with greater

than \$10 billion in total assets. Other bank regulators consider asset size when establishing regulatory requirements. To clarify requirements and reduce regulatory burden, FCA should establish different regulatory requirements and examination practices for:

1. Institutions with less than \$1 billion in total assets,
 2. Institutions with \$1 billion to \$4 billion in total assets; and,
 3. Institutions with greater than \$4 billion in total assets.
- We would have rated this as "Agree," if it were not due to the experience we had at the end of our examination. A week after our close-out call and two days before our report was issued, our EIC called us to let us know they were adding an MRA to our report. It was added based on the Horizontal Examination results for Standards of Conduct (which was still in draft form and not released yet). The EIC did an excellent job of communicating with us, and we provided documentation to reflect our work, which reduced the potential MRAs from two to one. It was frustrating for FCA staff and institution staff to be examined based on a draft Horizontal Examination report that neither of us had an opportunity to address. Institutions should not be examined based on draft regulation or information memorandums.
 - Guidance issued by OE was helpful. However, as noted above, OE should communicate all standards to which institutions will be held. Providing general guidance regarding board and management judgement and then holding the institution to specific standards is not appropriate.
 - [The National Oversight Plan] and exam manual guidance is helpful to board, management, and Internal Audit. Exam manual occasionally prescribes actions beyond those required in specific related regulations.

GENERAL QUESTIONS

Statement #9

What aspect of the examination process did you find most beneficial?

Comments:

- Overall consultative nature of the exam process.
- Communication and timing have greatly improved over the past three years. Areas identified as those needing improvement will help the institution as it continues to grow.
- The discussions regarding our financial plans going forward.
- In person discussion with the exam team.
- Communication with the Office of Examination staff was very good. Clear and timely.
- The ability [to] sit down, face-to-face, to discuss the relevance and practical risks for the exam focus areas. The promptness with responses to questions and requests for follow-up information. It was good having a face-to-face exam again in 2023.
- Coming on-site and sitting down across the table to discuss the risks and relevance of the examination focus.
- Dialogue with our EIC during the exam.

- Dialogue with examiners in regards to best practices that other Farm Credit institutions are doing.
- The team was seasoned and talented and we appreciated their collaborative nature and willingness to have critical conversations.
- Discussions with subject matter experts called in to be a part of the examination.
- For this exam period, the review of the crop insurance service was the most beneficial to the institution.
- Opportunities to collaborate on the various risks facing the organization and the Farm Credit System as a whole is the most beneficial aspect of the examination process.
- Appreciated the explanation from EIC [name removed] on what constitutes an MRA [versus] an observation. Additionally, it was beneficial to include third-party providers such as [name removed] in meetings.
- The discussions with the examination staff to understand their perspectives and questions are the most beneficial. We appreciate the work of the exam team.
- Major findings in organizational structure and internal control deficiencies were thoroughly discussed and will be beneficial in driving positive change. FCA's exam and supervision team engaged in constructive communication with management and the Board in final exam delivery stage.
- We appreciated the in-depth explanations by the FCA and their findings, as well as the responses provided by the institution.
- The examination was risk based, which focuses attention on the most material risk exposures. This is helpful in assisting the Board and management identify potential risk management gaps.
- Tying the exam procedures to the FCA's regulations was very helpful to ensure we are complying with laws and regulations. The report was good in this respect, too.
- Communication with the FCA examination team.
- We appreciate the System-wide view of the FCA team. This provides helpful benchmarking of our institution's performance and activities as well as best practices observed at other FCS institutions. The board appreciated the direct conversations with the FCA team during the exam.

Statement #10

What aspect of the examination process did you find least beneficial?

Comments:

- Length of the process, amount of time required by staff.
- If one must be named—timing—seems like these ROEs start earlier during the year and take longer to complete.
- We found all discussions beneficial.
- The IT & Security section was least beneficial due to [name of institution removed] handles most of the institution's IT & Security responsibilities. The institution had to refer the examiner to the institution for a lot of the requested documentation.

- The continuing focus on reputation/political risk associated with similar entity lending is the least beneficial aspect of the examination process. Our organization's Board and management have established substantial control processes and taken proactive measures to manage reputation/political risk. This is an area where additional dialogue with FCA's leadership would be helpful.
- There seems to be a lack of specific regulatory guidance pertaining to non-MRA findings.
- A loan review that does not have risk identification as a main focus point is not beneficial for a financial institution.
- The length of time it took to deliver meaningful feedback delayed our ability to formulate a strategy to begin corrective activity.
- Much of the examination focused on issues that had been self-identified by the institution and the resulting MRAs simply impose remedial actions that would likely have been taken without regard to the examination. To some extent, the examination was a distraction. However, the examination report accurately described the issues and the MRAs were appropriate and not burdensome.
- There were some recommendations that weren't directly tied to regulations that we didn't think needed to be implemented. But we believe the examiners were trying to be helpful.

Statement #11

Please provide any comments from the Board as a whole regarding the examination process not provided in the preceding responses.

Comments:

- Our discussions and interactions with FCA and the Exam staff have been constructive, productive and efficient and this is appreciated.
- Would like to see continued consideration in scope of exam for small, low risk institutions.
- The Board is in agreement with the above responses.
- The board appreciates the open dialogue and feedback. It appreciates the Chair and Audit Chair being included and invited to entrance and exit conferences.
- The board appreciated the process and approach of the exam team.
- The Board had no further comments regarding the exam.
- The Chairman of [the institution's] Board of Directors agreed to allow the Audit Committee Chairman to review and discuss this survey with Management prior to its submission. Based on the timing of the survey release and the requested due date, a discussion on the responses amongst the full Board was not possible. However, the survey will be appropriately discussed as part of the [month removed] 2023 Board Meetings, specifically with the Audit Committee, and a report to the Board as a whole. The Audit Committee Chairman concurs with Management's comments.
- The board appreciated FCA's time and the in-person board presentation. We also appreciated those examiners that came onsite during the examination process to have meaningful discussions with our management team.

- Some questions are difficult for the Board to answer since we are not directly involved in the examination process. The FCA examiners we were directly involved with were professional, informative, and pleasant to work with.
- The presentation of the Report of Examination to the Board by FCA, and the resulting dialog, was very useful to the Board, as it helped the Board more clearly understand FCA's perspective.
- We discussed the survey at our Board meeting. These are a few of the comments:
 - It was good to have the examiners back in the field and in the office. We think face to face meetings are more helpful and productive.
 - The report form was easier to read and follow.
 - We view our examiners as helpful to our success.
- The exam covered the scope identified and there were no surprises.

Comments perceived with negative feedback:

- We feel FCA exams could be planned and completed according to a risk based scale. There seems to be a lack of consistency on how exams are scoped and the depth of review. Four years ago, an exam would be completed and reported within 60 days. Exams today seem to linger unreasonably and disrupt the productivity of the organization over time.

Request for OIG Contact

Would you like the Office of Inspector General to contact you confidentially to discuss your survey responses and/or the examination?

None of the institutions surveyed for this report indicated that they would like the OIG to contact them.

STATISTICAL INFORMATION ON NEGATIVE COMMENTS

Below is statistical information on the negative comments provided by the 21 institutions that responded to the survey for the FY 2023 third and fourth quarters. OIG lists separately comments with any perceived negative feedback for survey statements 1-8 and 11 in this report. Ten institutions, or 48%, provided at least one negative comment in their narrative responses.

Number of Institutions Providing Negative Comments

Number of Negative Comments Provided	Number of Institutions	Percentage of Institutions
No comments provided	1	5%
0	10	48%
1-2	4	19%
3-4	6	29%
5-6	0	0%
7-8	0	0%
9+	0	0%

SUMMARY OF NUMERICAL RATINGS FOR FISCAL YEAR 2023

The table below provides FY 2023 cumulative data for the numerical ratings for survey statements 1-8. (Statements 9-11 are not numerically rated.) During FY 2023, OIG sent surveys to 45 FCS institutions and received 38 responses. This is an 84% response rate, up eight percentage points from FY 2022's response rate of 76%. For FY 2023, the overall average rating for the survey statements was 1.7 and 92.1% of the ratings were either "completely agree" (1), or "agree" (2).

Number and Percentage per Rating Category

Statement	Completely Agree (1)		Agree (2)		Neither Agree nor Disagree (3)		Disagree (4)		Completely Disagree (5)		Does Not Apply* (6)		Average Numerical Rating
	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage	
1	13	34%	23	61%	1	3%	1	3%	0	0%	0	0%	1.7
2	15	39%	21	55%	2	5%	0	0%	0	0%	0	0%	1.7
3	10	26%	22	58%	2	5%	0	0%	0	0%	4	11%	1.8
4	25	66%	12	32%	1	3%	0	0%	0	0%	0	0%	1.4
5	15	39%	20	53%	3	8%	0	0%	0	0%	0	0%	1.7
6	16	42%	20	53%	1	3%	1	3%	0	0%	0	0%	1.7
7	11	29%	24	63%	2	5%	1	3%	0	0%	0	0%	1.8
8	8	21%	25	66%	4	11%	0	0%	0	0%	1	3%	1.9
Total Responses	113	37.2%	167	54.9%	16	5.3%	3	1.0%	0	0.0%	5	1.6%	1.7

*Ratings of "6" (Does Not Apply) were not included in average numerical ratings.



Farm Credit Administration
Office of Inspector General

REPORT FRAUD, WASTE, ABUSE, & MISMANAGEMENT

Fraud, waste, abuse, and mismanagement in government concerns everyone: Office of Inspector General staff, FCA employees, Congress, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and mismanagement related to FCA programs and operations. You can report allegations to us in several ways:

Online: <https://apps.fca.gov/oigcomplaint>

**Phone: (800) 437-7322 (Toll-Free)
(703) 883-4316**

Email: fca-ig-hotline@rcn.com

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

To learn more about reporting wrongdoing to the OIG, please visit our website at <https://www.fca.gov/about/inspector-general>.