



HARVESTING CHANGE

Farm Credit Administration

Office of Inspector General

Performance Report

Fiscal Year 2018

Farm Credit Administration

Office of Inspector General
1501 Farm Credit Drive
McLean, Virginia 22102-5090



January 23, 2019

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

Dear Chairman Tonsager and Board Members Hall and Smith:

The Government Performance and Results Act of 1993 (GPRA) and GPRA Modernization Act of 2010 encourage organizations to manage for results and hold managers accountable for executing programs to achieve desired outcomes. The enclosed report documents the outcomes or impact of the products, services, and leadership of the Office of Inspector General (OIG) during fiscal year 2018.

The OIG continues striving to advance programs and operations within the Farm Credit Administration (FCA or Agency). The results reflect OIG's commitment to assist in achieving the Agency's mission of ensuring a safe and sound Farm Credit System that provides a dependable source of credit to farmers and ranchers.

We look forward to continuing to work with you to ensure FCA remains effective in its efforts to accomplish its mission. I welcome your comments on ways to improve OIG services that help you achieve your goals for FCA's operations.

If you have any questions, please let me know.

Respectfully,

A handwritten signature in blue ink that reads 'Wendy R. Laguarda'.

Wendy R. Laguarda
Inspector General

Enclosure

Abbreviations

Agency	Farm Credit Administration
AI&E	Audits, Inspections, and Evaluations
CIGIE	Council of the Inspectors General on Integrity and Efficiency
FAEC	Federal Audit Executive Council
FCA	Farm Credit Administration
FCS	Farm Credit System
FISMA	Federal Information Security Modernization Act of 2014
FY	Fiscal Year
GPRA	Government Performance and Results Act of 1993
IG	Inspector General
IT	Information Technology
OE	Office of Examination
OIG	Office of Inspector General
System	Farm Credit System

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Mission, Vision, Values, Goals

Our Mission

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

Our Vision

Harvesting Change

Our Values

Relevant, Respectful, Trustworthy, and Objective

Our Goals

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

GOAL 1	GOAL 2	GOAL 3	GOAL 4
Perform risk-based audits, inspections, and evaluations	Guard confidentiality	Create benchmarks for improved Agency decision making	Recruit, retain, and empower a diverse workforce
Reinforce the OIG as a safe zone for reporting fraud, waste, and abuse	Produce timely, clear, focused, and factual reports of investigation	Ensure the OIG and FCA are models for good government	Promote leadership, vision, and expertise
Listen to and understand the needs, challenges, and interests of our stakeholders	Provide outreach on how to prevent fraud, waste, and abuse	Produce OIG products that are timely, relevant, reasonable, and helpful	Leverage technology

Strategic Goal 1

Detect and Deter Fraud, Waste, and Abuse

OUTCOMES AND IMPACT

The OIG performed or supervised audits, inspections, and evaluations (AI&Es) of mission-critical areas. Each year, we evaluate risk priorities and prepare an AI&E plan to focus on key oversight areas.

In FY 2018, we completed the following (see Appendix for details of AI&Es):

- Information Technology Benchmarking Study
- Inspection of Physical Security in FCA's Sacramento Field Office
- Inspection of Physical Security in FCA's Dallas Field Office
- Inspection of FCA's Travel Compensation and Incentives
- Audit of FCA's Office of Secondary Market Oversight
- Inspection of Physical Security in FCA's Bloomington Field Office

Goal 1 Performance Measures

- Perform risk-based audits, inspections, and evaluations
- Reinforce the OIG as a safe zone for reporting fraud, waste, and abuse
- Listen to and understand the needs, challenges, and interests of our stakeholders

The OIG contracted with an independent public accounting firm to assess the Agency's accounting and financial reporting. The Agency continued to receive an unmodified opinion on its FY 2017 financial statements. The OIG contracted with a different independent public accounting firm to assess the Agency's compliance with the Federal Information Security Modernization Act of 2014 (FISMA).

For FY 2018, all recommendations made in our reports were accepted and agreed-upon by management. The OIG tracked the status of all recommendations in monthly reports and summarized results in its Semiannual Reports to Congress. During FY 2018, our reports resulted in 17 agreed-upon actions, 28 agreed-upon actions were closed, and two remained open at year-end.

The OIG conducted its annual charge card risk assessment. The assessment was issued to the Agency, and the required letter was reported to the Office of Management and Budget.

The IG met quarterly with each FCA Board Member. The IG also met with professional staff in the Senate Committee on Agriculture, Nutrition, and Forestry and the House Committee on Agriculture. The OIG also distributed a quarterly newsletter to help Agency employees gain a better understanding of fraud, waste, abuse, the OIG hotline, and reporting responsibilities. The OIG briefed new employees and Office of Examination (OE) staff on the OIG's role and reinforced that the OIG is a safe zone for reporting fraud, waste, and abuse.

The OIG also identified management's top challenges in the Agency's annual Performance and Accountability Report, which helps the OIG and the Agency align priorities to key risk areas.

Strategic Goal 2

Investigate and Protect Against Wrongdoing

OUTCOMES AND IMPACT

Tips and complaints about fraud, waste, and abuse relating to FCA programs and operations can be reported to the OIG through various channels that allow the OIG to guard complainants' confidentiality. Individuals may contact the OIG by phone, by fax, and in writing. The OIG hotline is also available 24/7 to receive tips and complaints and a secure email account that is maintained independently of Agency servers.

Goal 2 Performance Measures

- Guard confidentiality
- Produce timely, clear, focused, and factual reports of investigation
- Provide outreach on how to prevent fraud, waste, and abuse

This reporting period we processed 33 complaints, including 12 borrower rights-type complaints that we referred to the Office of Congressional & Public Affairs, the Office of General Counsel, or OE. Each complaint submitted to the OIG received prompt attention or was referred to the appropriate office within two business days.

OIG conducted two preliminary investigations and one formal investigation during FY 2018. Each month, the OIG tracked the status of investigations internally to ensure timely progress. The OIG published closing memoranda summarizing investigation reports issued to the Agency on the OIG website within 10 business days. The OIG coordinated with law enforcement when warranted, reporting to the U.S. Department of Justice within 10 business days of developing evidence of potential criminal violations.

We protected employee confidentiality throughout the investigative process in a manner consistent with law and policy. We provided the appropriate warnings and notified employees of their rights and responsibilities in all interviews. The OIG provided all subjects and witnesses who provided a signed sworn statement with an opportunity to review the statement to ensure its accuracy and fairness.

FCA employees are more likely to bring fraud, waste, abuse, and mismanagement to the attention of the OIG when they are trained to identify them and are aware of their responsibility to report suspected problems. The OIG participated in the Agency's new employee training process, informing new hires about the role of the OIG, the OIG hotline, and their responsibility to report fraud, waste, and abuse relating to Agency programs and operations. The OIG created hotline posters to educate employees on reporting fraud, waste, abuse, and mismanagement. The OIG also prepared and distributed a quarterly newsletter to further educate Agency personnel on definitions and examples of fraud, waste, and abuse, and to provide information on how to reach the OIG. During FY 2018, we updated the OIG whistleblower page to more clearly explain whistleblower protections.

Strategic Goal 3

Promote Quality and Value

OUTCOMES AND IMPACT

The OIG completed an information technology (IT) benchmarking study in September 2018. This evaluation compared FCA's IT budget and use of other IT contractual services to the other federal financial regulators. During the reporting period, the OIG also initiated a benchmarking study on examination staff with other federal financial regulators, and this report will be finalized in FY 2019.

The OIG conducted quarterly surveys of FCS institutions that solicited feedback regarding FCA's examination process. The OIG issued four survey reports for the reporting period, which included quarterly reports and an annual summary with the fourth quarter report.

Goal 3 Performance Measures

- Create benchmarks for improved Agency decision making
- Ensure the OIG and FCA are models for good government
- Produce OIG products that are timely, relevant, reasonable, and helpful

To test and validate quality controls, OIGs participate in peer reviews. During FY 2018, the FCA OIG led the external peer review of the Export-Import Bank of the United States OIG's inspection and evaluation function. Peer reviews of FCA OIG's audit and inspection and evaluation functions are scheduled to begin in FY 2019.

The OIG evaluated our internal controls, assessed risks in each area, and prepared a review plan. During FY 2018, our office completed an internal control review for workforce development and outreach.

The OIG tracks and comments as appropriate on proposed legislation and regulations and informs the FCA Board and management about the status of new or pending legislation or regulations that have an impact on the Agency or on the OIG. The IG is also a member of the CIGIE Legislation Committee. These activities help our office stay apprised of changing authorities and requirements as well as oversight trends across the IG community.

The OIG continued to timely report on completed work and achievements through its Semiannual Reports to Congress, which are posted on the OIG's public website. The OIG issued each Semiannual Report within 30 days of the end of the reporting period. The OIG posted reports on its public website within three days of issuance, as required by statute, and on the CIGIE website for all OIGs called

Oversight.gov. With respect to certain reports containing sensitive information regarding FCA vulnerabilities, summary documents were posted in lieu of the full reports to avoid exposing the Agency or its employees to additional risk.

Strategic Goal 4

Advance FCA's Future

OUTCOMES AND IMPACT

The OIG invests in its people to achieve effective oversight and support our stakeholders. To meet standards and stay abreast of oversight best practices, auditors completed training and participated in professional organizations. Senior auditors completed training requirements prescribed in Government Auditing Standards. The IG and the OIG investigator also completed training requirements prescribed by CIGIE. In addition, staff maintained professional certifications, including: Certified Public Accountant, Certified Fraud Examiner, and Certified Information Systems Auditor.

Goal 4 **Performance** **Measures**

- Recruit, retain, and empower a diverse workforce
- Promote leadership, vision, and expertise
- Leverage technology

The IG and staff are actively involved in the Council of the Inspectors General on Integrity and Efficiency (CIGIE). The OIG participates in CIGIE's Legislation, Audit, and Inspection and Evaluation committees. The IG and staff also participated in the following CIGIE groups:

- Inspection and Evaluation Roundtable
- Small and Unique OIGs Workgroup
- Council of Counsels to the Inspectors General
- Federal Audit Executive Council (FAEC)
- FAEC Information Technology Committee
- Inspection and Evaluation Peer Review Implementation Team
- CIGIE Commemoration Working Group

A Senior Auditor served as an adjunct instructor for CIGIE's training institute. The IG served on a workgroup that developed a report on the top management and performance challenges facing multiple federal agencies. Top challenges were categorized to identify common themes and key areas of concern.

The OIG leverages technology to maintain documents and records, ensure communications are timely, and track ongoing activities. The OIG tracked the status of recommendations, timeframes for work products, and closure documentation in its audit follow-up database.

This reporting period, our website was updated to improve the organization and quality of our communication with the public.

Appendix:
Audit, Inspection, and Evaluation Reports Issued in FY 2018

Report Name	Date Issued	Mandate	Months to Completion	Agreed-Upon Actions in Report
AUDITS				
FCA's Office of Secondary Market Oversight	March 20, 2018	OIG Initiated	10	5
Audit of FCA's Financial Statements for FY 2017	November 16, 2017	Legislatively Mandated Annual Audit	9	No Action Items
Federal Information Security Modernization Act Evaluation for FY 2017	October 27, 2017	Legislatively Mandated Annual Evaluation	5.5	4
INSPECTIONS				
Physical Security in FCA's Sacramento Field Office	June 19, 2018	OIG Initiated	2	3
Physical Security in FCA's Dallas Field Office	April 19, 2018	OIG Initiated	2.5	No Action Items
FCA's Travel Compensation and Incentives	March 30, 2018	OIG Initiated	9.5	No Action Items
Physical Security in FCA's Bloomington Field Office	March 19, 2018	OIG Initiated	5	5
EVALUATIONS				
Information Technology Benchmarking Study	September 6, 2018	OIG Initiated	9	No Action Items