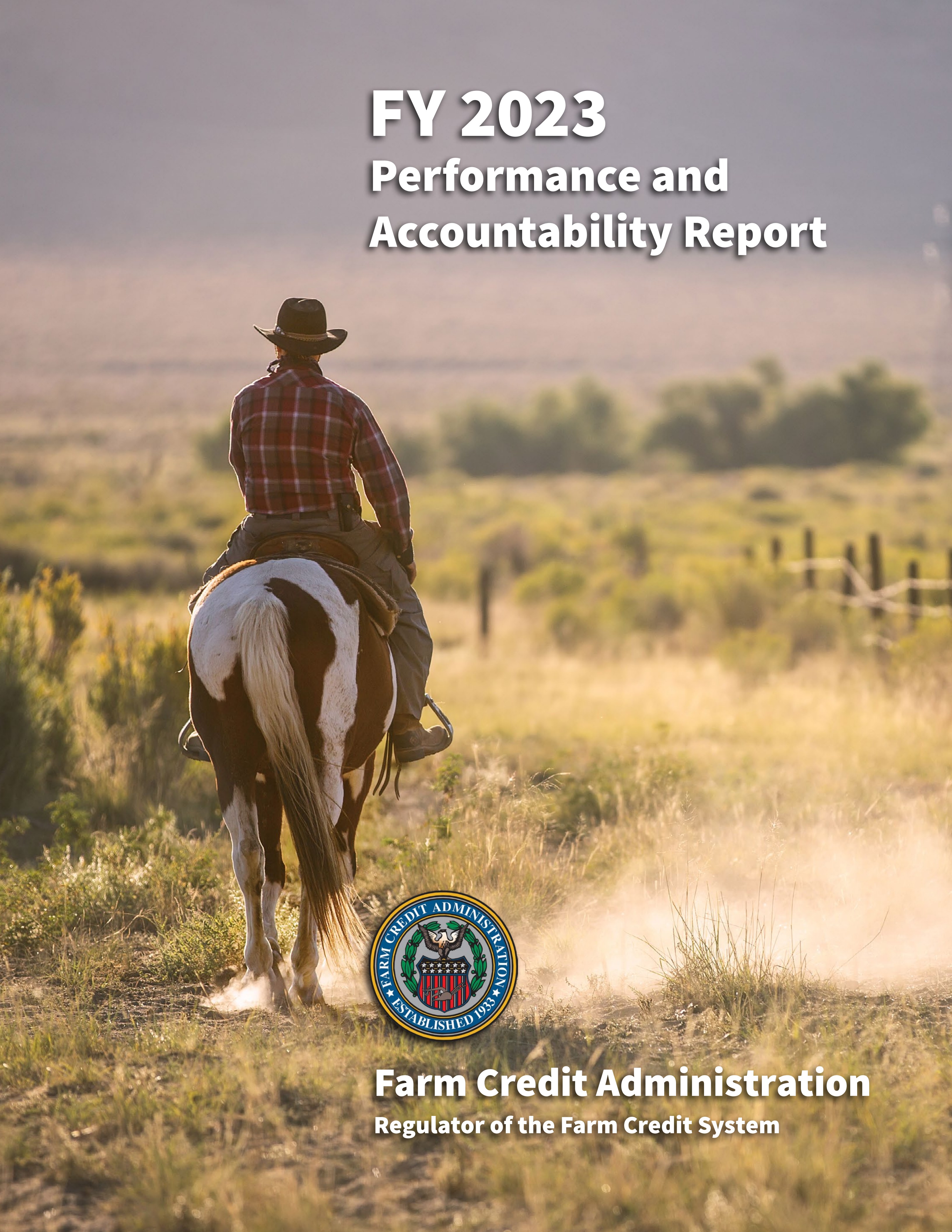
FY 2023
Performance and Accountability Report



Farm Credit Administration

Regulator of the Farm Credit System

Mission

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

Accessibility

This annual report is illustrated with photos of American farmers and ranchers, farm and ranch land-scapes, and farm animals. These photographs are artifacted and essential graphs and chart graphics are described in readable text.

Contents

Tables Appearing in Report

List of Figures Appearing in Report

List of Abbreviations Appearing in Report

CEO	chief executive officer
COVID-19	coronavirus disease 2019
CSRS	Civil Service Retirement System
DATA	Digital Accountability and Transparency Act
EEO	Equal Employment Opportunity
Farmer Mac	Federal Agricultural Mortgage Corporation
FCA	Farm Credit Administration
FCS	Farm Credit System
FCSIC	Farm Credit System Insurance Corporation
FCSBA	Farm Credit System Building Association
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act
FMFIA	Federal Managers' Financial Integrity Act
FIRS	Financial Institution Rating System
FY	fiscal year
IT	information technology
OIG	Office of Inspector General
OIT	Office of Information Technology
OMB	U.S. Office of Management and Budget
OPM	U.S. Office of Personnel Management
OSMO	Office of Secondary Market Oversight
SFFAS	Statements of Federal Financial Accounting Standards
USDA	United States Department of Agriculture
YBS	young, beginning, and small (farmers and ranchers)

Statement of the Board Chairman and CEO

November 14, 2023

As board chairman and CEO of the Farm Credit Administration, I invite you to review our Performance and Accountability Report for Fiscal Year 2023. Unless otherwise indicated, the report covers our activities from Oct. 1, 2022, to Sept. 30, 2023.

In FY 2023, FCA once again achieved the goals outlined in our strategic plan and met or exceeded almost all performance targets. In addition, our financial statements received an unmodified opinion from an independent auditor. Based on the results of our internal evaluations, we can assure you that the financial and performance information in this report is complete and reliable. We also did not identify any material weaknesses in our internal controls.

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

The System holds approximately 45% of the nation's total farm business debt, so it plays a vital role in the health of the nation's agricultural economy. Farmer Mac, which provides a secondary market for agricultural real estate mortgages and rural cooperative loans, enhances the ability of lenders to offer competitive financing to rural borrowers and farmland investors.

Both the System and Farmer Mac are well capitalized and remain financially safe and sound. Together, the Farm Credit System banks and associations held $485 billion in assets as of June 30, 2023, up 6.2% from the year before. Farmer Mac had assets of $27.7 billion as of that date, up 6.7% from the year before.

Over the past fiscal year, we worked to protect the financial soundness of the System and Farmer Mac and to ensure that they continue to fulfill their missions to serve agriculture and rural America. Since submitting the 2022 Performance and Accountability Report, we have approved three notices of rulemaking:

- A final rule governing the Farm Credit System's service to young, beginning, and small farmers and ranchers
- A final rule on cyber risk management to enhance Farm Credit System security and spur innovation
- An advance notice of proposed rulemaking on the regulatory capital framework for Farmer Mac

We also issued more than a dozen guidance documents to the institutions we regulate, including guidance on stress testing, diversity and inclusion, small business lending, troubled debt restructuring, allowance for credit losses, and requirements from the Consumer Financial Protection Bureau.

Also, for the reporting period from July 1, 2022, to June 30, 2023, we prepared 52 formal reports of examination, 33 interim activity letters, and 75 letters regarding FIRS (Financial Institutions Rating System) ratings for System institutions and Farmer Mac. We also responded to 22 inquiries and complaints from System borrowers and loan applicants.

In terms of our ranking on the Partnership for Public Service's list of Best Places to Work in the Federal Government, FCA has had another good year. The Partnership bases its rankings on the results of the Federal Employee Viewpoint Survey conducted by the Office of Personnel Management. In March 2023, the Partnership announced the 2022 rankings, which placed FCA sixth on the list of best places to work among small federal agencies. Furthermore, among these agencies, FCA ranked number 1 in two subcategories: DEIA: Diversity; and Effective Leadership: Supervisors.

Having just completed my first full year as the FCA board chairman and CEO, I have witnessed the talent and hard work of FCA employees and their dedication to the agency's public mission. We look forward to continuing to fulfill this important mission in FY 2024 and beyond.

Vincent G. Logan
Board Chairman and CEO

Management's Discussion and Analysis

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

FCA at a Glance

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

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

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

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

History highlights

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

1912 and 1913: National commissions study European agricultural credit.

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

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

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

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

1939: FCA becomes part of USDA.

1953: FCA becomes independent agency again.

1968: The System repays government capital.

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

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

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

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

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

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

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

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

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

FCA history

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

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

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

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

FCA funding and governance

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

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

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

FCSIC

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

FCA offices

Our headquarters and one field office are in McLean, Virginia. We also have field offices in Bloomington, Minnesota; Dallas, Texas; Denver, Colorado; and Sacramento, California. As of Sept. 30, 2023, FCA had 357 employees. These employees work in the following offices, with the majority serving in the Office of Examination.

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

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

The **Office of the Chief of Staff** was established by the FCA board in April 2023. The chief of staff works closely with the board chairman and CEO, the board, and the senior leadership team to advance the agency's mission. Reporting to the chief of staff are the Offices of Agency Services, Chief Financial Officer, Congressional and Public Affairs, Data Analytics and Economics, Examination, Information Technology, and Regulatory Policy, as well as the chief risk officer. In addition, the chief of staff oversees the development and implementation of the agency's operating and budget plans, and proposes new program initiatives to satisfy the agency's mission requirements and the objectives of the CEO.

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

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

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

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

The **Office of Equal Employment Opportunity and Inclusion** manages and directs the agencywide diversity, inclusion, and equal employment opportunity (EEO) program for FCA and the Farm Credit System Insurance Corporation. The office serves as the chief liaison with the Equal Employment Opportunity Commission and the Office of Personnel Management on all EEO, diversity, and inclusion issues. The office provides counsel and leadership to agency management to carry out its continuing policy and program of nondiscrimination, affirmative action, and diversity.

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

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

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

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

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

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

The **chief risk officer** works with agency leaders, the risk committee, and key staff to identify, assess, and mitigate risks to the fulfillment of the agency's mission as regulator of the Farm Credit System, including Farmer Mac. To minimize the impact of risks, the chief risk officer develops and implements risk mitigation plans and controls. The chief risk officer collaborates with internal and external stakeholders to ensure that effective risk reduction measures are in place and provides timely reports to the board and executive leaders to support their decision making.

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

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

Figure 1: FCA organizational chart as of October 2023

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

FCA Board

Vincent G. Logan
Chairman

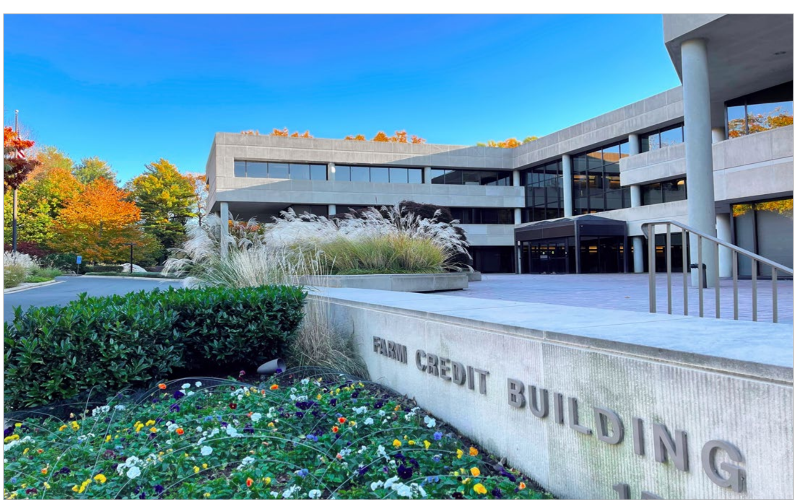
Jeffery S. Hall
Member

Glen R. Smith
Member

- **Office of the Board Chairman and Chief Executive Officer**
  Vincent G. Logan
  - **Office of the Chief of Staff**
    Maribel Duran
    - **Chief Risk Officer**
      S. Robert Coleman
    - **Office of Agency Services**
      Vonda Bell
    - **Office of the Chief Financial Officer**
      Sandi Walters
    - **Office of Congressional and Public Affairs**
      Trevor Reuschel
    - **Office of Data Analytics and Economics**
      Jeremy D'Antoni
    - **Office of Examination**
      Michael J. Duffy
    - **Office of Information Technology**
      Jerald Golley
    - **Office of Regulatory Policy**
      Kevin Kramp
  - **Office of Equal Employment Opportunity and Inclusion**
    Thais Burlew
  - **Office of General Counsel**
    David Grahn*
  - **Office of Secondary Market Oversight**†
    Thomas R. Fay
  - **Designated Agency Ethics Official**
    Jane Virga
  - **Secretary to the Board**
    Ashley Waldron
- **Office of Inspector General**
  Wendy R. Laguarda

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

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



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

Highlights of FCA's Performance Goals and Results

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

In our Strategic Plan for Fiscal Years 2022 – 2026, we identified two strategic goals we must meet to fulfill our mission. For each goal, we identified strategic objectives to achieve the goal, as well as a set of performance metrics to monitor our progress in meeting the goal. We also identified three stewardship objectives for supporting workforce development; advancing FCA's data, technology, and cybersecurity work; and managing our agency financial resources.

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

Goal 1 highlights

Ensure a sound financial system that provides a sustainable source of credit for agriculture and rural America.

For goal 1, we have seven strategic objectives and the following performance metrics (see table 8a):

1. Most objectives listed in the preamble of each final rule were met on the two-year anniversary of the rule's effective or implementation date. (Target: Yes)
2. Percentage of System institutions where supervisory agreement requirements were at least substantially met within 18 months of execution. (Target: >80%)
3. Percentage of institutions with satisfactory audit and review programs, including institutions with acceptable corrective action plans. (Target: 100%)
4. Percentage of System assets with a 1 or 2 composite Financial Institution Rating System (FIRS) rating. (Target: >98%)
5. Percentage of FCS institutions providing products and services to creditworthy and eligible persons. (Target: 100%)
6. FCA solicited comments from the public and other interested parties on certain guidance and all regulations issued by the agency. (Target: Yes)
7. Percentage of direct-lender institutions with satisfactory consumer and borrower rights compliance. (Target: >90%)
8. The Office of Secondary Market Oversight (OSMO) effectively identified emerging risks as part of the examination and oversight process. (Target: Yes)
9. OSMO took appropriate supervisory and corrective actions. (Target: Yes)
10. OSMO evaluated whether Farmer Mac's business plan contains strategies to promote and encourage the inclusion of all qualified loans (including loans to small farms and family farmers) in its secondary market programs. (Target: Yes)
11. OSMO evaluated Farmer Mac's progress toward achieving its mission to provide a source of long-term credit and liquidity for qualified loans. (Target: Yes)

12. OSMO assessed the need for new or revised regulatory and policy guidance for Farmer Mac as new risks emerged. (Target: Yes)
13. FCA requested input from persons outside of FCA for at least 90% of pre-rulemaking projects and proposed rules. (Target: Yes)
14. FCA mentioned the importance of rural infrastructure in congressional testimony and public communications. (Target: Yes)
15. FCA evaluated System institution requests for compliance with agency regulations and guidance regarding investments in rural infrastructure. (Target: Yes)
16. FCA responded to comments from System institutions regarding diversity and inclusion challenges. (Target: Yes)
17. Percentage of System institutions including Farmer Mac with objectives for addressing board and workforce diversity within the annual business plan. (Target: 100%)
18. Percentage of System institutions including Farmer Mac with contingency plans to preserve capital adequacy, earnings capacity, and access to funding. (Target: 100%)
19. Percentage of System institutions including Farmer Mac addressing cybersecurity threats and controls in risk assessments and internal audit plans. (Target: 100%)

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

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

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

Management — Management is evaluated and rated based on the effectiveness of the board and management at identifying, measuring, monitoring, and controlling the risks of the institution's activities; ensuring that the institution operates in a safe, sound, and efficient manner and complies with applicable laws and regulations; and serving its public mission.

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

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

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

20. FCA published a semiannual Unified Agenda that outlines the agency's planned regulatory actions for the next 12 to 24 months. (Target: Yes)

We achieved or exceeded our targets for most metrics associated with goal 1. Metric 2 did not apply during this reporting period because the agency did not have any supervisory agreements in place with FCS institutions.

For metric 3, only 98% of the banks and associations had satisfactory audit and review programs, which include corrective action plans; the 100% target was not met because one institution's corrective action plan was not adequate to resolve internal-control program weaknesses. This institution is now under an increased level of examination oversight.

The same applies to metric 18. Only 98% of the banks and associations had contingency plans to preserve capital adequacy, earnings capacity, and access to funding because one of the institutions did not have sufficient contingency plans to preserve earnings capacity or adequately address negative stress test results.

Goal 2 highlights

Foster the long-term viability of the U.S. agricultural economy while supporting young, beginning, and small (YBS) farmers, ranchers, and aquatic producers.

For goal 2, we have two strategic objectives and the following performance metrics (see table 8b):

1. Percentage of direct-lender institutions with YBS programs in compliance with YBS regulations. (Target: 100%)
2. FCA published a semiannual Unified Agenda that outlines the agency's planned regulatory actions, including YBS, for the next 12 to 24 months. (Target: Yes)
3. Qualitative and quantitative improvements were made to YBS data. (Target: Yes)
4. Percentage of System institutions identifying outreach efforts for YBS in their annual business plans. (Target: >90%)
5. FCA facilitated sharing of effective YBS practices among System institution decisionmakers. (Target: Yes)

We achieved or exceeded the targets for all metrics associated with goal 2.

Stewardship objective 1 highlights

Ensure a well-trained, engaged, and diverse staff working effectively in a safe, efficient, and modern workplace.

For the first stewardship objective, we have four sub-objectives and the following performance metrics (see table 8c):

1. Ensured recruiting efforts included outreach to academic institutions with active diversity recruitment programs. (Target: Yes)
2. On the 2023 Federal Employee Viewpoint Survey, the agency score was at least equal to the composite score for all small agencies on the statement "My supervisor demonstrates a commitment to workforce diversity (e.g., promotion opportunities, development)." (Target: Yes)
3. On the Federal Employee Viewpoint Survey, the agency score was at least equal to the composite score for all small agencies on the statement "My organization's management practices promote diversity (e.g., outreach, recruitment, promotion opportunities). (Target: Yes)
4. Performance management-related policies and procedures are current (i.e., updated within past two years). (Target: Yes)
5. Percentage of employees whose performance plans were established in a timely manner. (Target: >95%)
6. Percentage of employees who received midterm performance reviews in a timely manner. (Target: >95%)

7. Percentage of employees who received final rating reviews in a timely manner. (Target: >95%)

8. On the 2023 Federal Employee Viewpoint Survey, the agency score was at least equal to the composite score for all small agencies on the statement “I know what is expected of me on the job.” (Target: Yes)

9. On the 2023 Federal Employee Viewpoint Survey, the agency score was at least equal to the composite score for all small agencies on the statement “I know how my work relates to the agency’s goals.” (Target: Yes)

10. At least three training programs were delivered annually on working in a hybrid telework environment. (Target: Yes)

11. On the 2023 Federal Employee Viewpoint Survey, the agency score was at least equal to the composite score for all small agencies on the statement “I receive the training I need to do my job well.” (Target: Yes)

12. On the 2023 Federal Employee Viewpoint Survey, the agency score was at least equal to the composite score for all small agencies on the statement “Supervisors in my work unit support employee development.” (Target: Yes)

13. On the 2023 Federal Employee Viewpoint Survey, the agency score was at least equal to the composite small agency score on the Employee Engagement Index. (Target: Yes)

14. On the 2023 Federal Employee Viewpoint Survey, the agency score was at least equal to the composite score for all small agencies on the statement “Employees are protected from health and safety hazards on the job.” (Target: Yes)

15. On the 2023 Federal Employee Viewpoint Survey, the agency score was at least equal to the composite score for all small agencies on the statement “My supervisor treats me with respect.” (Target: Yes)

We achieved the targets for all metrics associated with stewardship objective 1.

Stewardship objective 2 highlights

Ensure data and technology assets are accessible, protected, and used effectively in a modern environment.

For stewardship objective 2, we have two sub-objectives and the following performance metrics (see table 8d):

1. One aging technology platform was modernized annually. (Target: Yes)
2. Achieved and maintained not less than 95% vulnerability compliance for scanned assets that are within FCA’s vulnerability management operating procedures. (Target: Yes)
3. Conducted phishing tests in compliance with the frequency outlined in OIT’s Phishing Tests Standard Operating Procedures. (Target: Yes)
4. Ensured multifactor authentication of FCA end user accounts unless excepted. (Target: 100%)
5. Programming languages, analytical tools, and resources were accessible by staff. (Target: Yes)
6. Produced quantitative and qualitative deliverables that are responsive to agency needs. (Target: Yes)
7. Provided qualitative and quantitative improvements to data inventories and metadata. (Target: Yes)

We achieved or exceeded the targets for all metrics associated with stewardship objective 2.

Stewardship objective 3 highlights

Ensure sound management and oversight of agency financial resources to achieve strategic goals.

For stewardship objective 3, we have three sub-objectives and the following metrics (see table 8e):

1. Agency received an unmodified audit opinion from independent auditors. (Target: Yes)
2. Assessments met the agency regulatory authority. (Target: Yes)

3. Agency maintained interest reserves between two months of operating expenses and less than 30% of agency budget. (Target: Yes)

We achieved the targets for all metrics associated with stewardship objective 3.

Resources to achieve our strategic goals

The strategic goals, as outlined in the strategic plan, provide a framework for the development of the annual budget request and the performance metrics and targets. We formulate and execute our budget by allocating resources according to the agency's core mission program activities of policy and regulation, and safety and soundness.

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

- Policy and regulation
- Safety and soundness
- Other activity

Our strategic goals encompass the core program activities of policy and regulation and safety and soundness. For purposes of the performance budget, we established the other activity program to track our reimbursable activities. We track these activities separately from the two agency mission program budgets for policy and regulation, and safety and soundness. Table 1 displays the proportion of our budget allocated to each core program activity and the proportion of the costs associated with each program.

Costs associated with the stewardship objectives in our strategic plan are an inherent part of our ability to fulfill our agency mission.

As shown in table 1, actual costs for agency programs in FY 2023 differed from amounts budgeted; these differences reflect changes in focus during the year. For specifics on the agency resources expended in support of our agency mission, please refer to the program costs and revenues section on page 20.

For more information about our performance results, see the performance results tables on pages 34–51. For governmentwide performance reporting results, please refer to www.performance.gov.

Table 1. FY 2023 performance budget versus program costs

Agency programs	Percent of total performance budget	Percent of total program costs
Policy and regulation	23.4%	26.1%
Safety and soundness	75.4%	73.2%
Other activity	1.2%	0.7%
Total	**100.0%**	**100.0%**

Analyses and Highlights of FCA's Financial Statements

Financial highlights

Financial operation of FCA

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

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

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

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

Table 2 outlines key financial measures for FYs 2023 and 2022. The following sections provide additional detail on these financial data. Our financial statements are provided on pages 60–76.

FCA's assets, liabilities, and net position

As shown in table 3, our total assets (the resources we own) for FY 2023 are composed of the following:

- Fund Balance with Treasury (9.9%)
- Investments (85.8%)
- Accounts receivable and prepayments (0.5%)
- Property and equipment (3.8%)

Table 2. Summarized financial data

Key measure	FY 2023	FY 2022	Percentage change
Total assets	$45,892,497	$48,403,650	(5.2%)
Total liabilities	$22,641,411	$22,456,719	0.8%
Net position	$23,251,086	$25,946,931	(10.4%)
Total budgetary resources	$115,056,633	$110,059,470	4.5%
Net outlays	$2,792,053	$(6,862,733)	140.7%
Net cost of operations	$10,924,197	$3,240,792	237.1%
Full-time equivalent	325.40	312.68	4.1%

During FY 2023, total assets decreased by $2,511,153, or 5.2%, from amounts reported in FY 2022.

Property and equipment accounted for the largest increase in assets. We added capitalized software and software in development to our capitalized property this past year.

As of Sept. 30, 2023, the agency held $4,562,164 in cash (Fund Balance with Treasury). While we invest all excess cash in U.S. Treasury securities, the timing of when cash is collected affects the ending balance. The small increase in our cash balance from 2022 to 2023 was due to a higher influx of funds collected after the cutoff time for investing on Sept. 30, 2023. Cash collected after the investment cutoff for the day remains as an available cash balance and is invested the following day. The collections on Sept. 30 were prepaid assessments (that is, assessments due on Oct. 1 but received on or before Sept. 30) from several FCS institutions.

Our investment portfolio, which accounts for the largest portion of our total assets, decreased by $3,093,112 in FY 2023. Our investments decreased primarily because we purchased fewer long-term securities this fiscal year relative to FY 2022. During FY 2023, we purchased $11,944,959 in U.S. Treasury securities, using an investment strategy that enables us both to maintain a steady cash flow for agency operations and to earn interest to build the agency reserve.

We hold the reserve funds in contingency to address specific, onetime, unforeseen events without increasing assessments at a time that may be financially difficult for System institutions. Our policy is to maintain a reserve balance that covers approximately two months of operating expenses.

Table 3. Composition of assets

Assets	FY 2023	FY 2022	Percentage change
Fund Balance with Treasury	$4,562,164	$4,511,469	1.1%
Investments	39,366,286	42,459,398	(7.3%)
Accounts receivable and prepayments	207,706	327,263	(36.5%)
Property and equipment	1,756,341	1,105,520	58.9%
Total	**$45,892,497**	**$48,403,650**	**(5.2%)**

Table 4. Composition of liabilities

Liabilities	FY 2023	FY 2022	Percentage change
Accounts payable	$846,437	$1,400,517	(39.6%)
Accrued liabilities (payroll and benefits)	9,533,255	8,375,421	13.8%
Employer contributions and taxes payable	1,814,294	1,611,932	12.6%
Workers' compensation (funded and unfunded)	1,534,012	1,594,022	(3.8%)
Deferred revenue	8,913,413	9,474,827	(5.9%)
Total liabilities	**$22,641,411**	**$22,456,719**	**0.8%**

Section 5.15 of the Farm Credit Act of 1971, as amended, (12 U.S.C. 2250) allows FCA to maintain a necessary reserve. The interest reserve makes up roughly 40.9% of our total investment portfolio. The remaining balance in the investment portfolio is composed of our funded leave liability, prepaid assessments, agency obligations, and carryover funds from prior years.

Our liabilities, as shown in table 4, consist of the following general categories:

- Accounts payable (3.7%)
- Payroll and benefits (42.1%)
- Employer contributions and taxes payable (8.0%)
- Workers' compensation (6.8%)
- Deferred revenue (39.4%)

Driven primarily by the increase in accrued liabilities for payroll and benefits, overall liabilities (what we owe to the public and other government agencies) increased by $184,692, or 0.8%, from 2022 to 2023.

Our accounts payable decreased by $554,080 this year. As of Sept. 30, 2023, we had a lower amount in liabilities for services received but not paid (invoice accruals) than we had in 2022. The timing of when vendors submit invoices for payment affects the number of accruals that must be recorded at year-end.

Accrued liabilities for payroll and related benefits increased by $1,157,834 from Sept. 30, 2022, to Sept. 30, 2023. This increase resulted from a combination of causes: a higher number of staff on board, higher compensation, and an increase in the funded leave liability accrual. Employer contributions and payroll taxes payable increased in FY 2023 for the same reasons.

Our net position, which represents the cumulative results of operations since the agency began, decreased by $2,695,845, or 10.4%, during FY 2023. The net position decreased primarily because of the increase in the net cost of operations (see the Program costs and revenues section). For a breakdown of the net position, see the statement of changes in net position on page 62.

FCA's status of funds

Our budget represents our plan for achieving our mission and strategic goals while operating as effectively and efficiently as possible. Table 5 shows our board-approved budget amounts for FYs 2023 and 2022. The overall FY 2023 budget increased by 4.8% over the 2022 budget.

In FY 2023, we continued to carry out our mission, program goals, and objectives within the available budget. Our board-approved budget for FY 2023 was approximately $88.9 million, and the congressional limitation on our spending was $88.5 million. The FY 2022 congressional limitation was $84.2 million. The congressional limitation is the

Table 5. Agency budget

Budget funding sources	FY 2023	FY 2022	Difference
Assessments (current year)	$85,300,000	$82,700,000	$2,600,000
Assessments (carryover from prior years)	3,200,000	1,500,000	1,700,000
Reimbursable activity	410,000	610,000	(200,000)
Total	**$88,910,000**	**$84,810,000**	**$4,100,000**

spending limit imposed by Congress on the nonreimbursable activity portion of our budget for the year. It limits the assessment amounts that we may use to pay for administrative expenses. The limitation includes assessment amounts for the current year as well as assessment carryover from prior years. The assessment funds we used in 2023 amounted to 99.5% of our congressional limitation in 2023 (see table 6).

As table 7 shows, the agency used $6,386,716 more in 2023 than in 2022. Dollarwise, the largest increases were across personnel compensation and benefits and travel and transportation.

Personnel compensation and benefits increased by $7,627,214. This increase is the result of two factors: increases in staff and planned increases in salaries and promotions. Personnel compensation and benefits continue to account for the most significant use of funds at FCA, representing approximately 87.5% of the total funds used in 2023.

With COVID-19 restrictions fully lifted by early FY 2023, we saw a large increase in travel expenditures. Funds used for travel in FY 2023 increased by $1,159,009 from FY 2022. The amounts spent for travel in FY 2023 were close to pre-pandemic levels.

Program costs and revenues

This section describes our program costs and revenues for the fiscal years ended Sept. 30, 2023, and Sept. 30, 2022. Please read this section in conjunction with the statements of net cost. Because this section focuses on the cost of operations, some of the data provided here may differ from data provided in sections of this report that are based on budgetary accounting.

Table 6. Funds used based on congressional limitation

Funds used category	2023 Funds used	Congressional limitation	Percentage used
Assessment funds used*	$88,091,610	$88,500,000	99.5%

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

Table 7. Funds used by major budget category

Budget category	FY 2023	FY 2022	Percentage change
Personnel compensation and benefits	$77,414,574	$69,787,360	10.9%
Travel and transportation	2,386,317	1,227,308	94.4%
Contractual services	5,884,553	7,408,731	(20.6%)
Property and equipment	292,625	1,047,012	(72.1%)
Other	2,495,270	2,616,212	(4.6%)
Total*	**$88,473,339**	**$82,086,623**	**7.8%**

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

We achieve our strategic goals and manage our costs with sound business planning and effective resource management. The net cost of our programs totaled $10,924,197 for the 12 months ended Sept. 30, 2023, compared with $3,240,792 for the same period the previous year. While both revenue and expenses increased this past year, the rate of increase in expenses outpaced revenues, resulting in a net cost increase of $7,683,405 from 2022.

The total cost of our programs for FY 2023 is $97,715,733, compared with $86,523,580 for FY 2022. This represents an increase of $11,192,153, or 12.9%, from 2022. Figure 2 shows the breakdown of FY 2023 and FY 2022 gross costs for each of our core program activities. Most of our costs support our core program activities. The increase in total costs resulted from a combination of increases in staff, higher employee compensation, increased travel, and an increased leave liability.

Employee salaries and benefits represent our greatest overall cost. For 2023, employee compensation totaled $81,884,192, or 83.8%, of total cost. We recruit and train staff to fill vacancies in accordance with our employment and diversity strategies to meet operational challenges and evolving risks in the FCS, including Farmer Mac. We periodically perform compensation studies to comply with the Financial Institution Reform, Recovery, and Enforcement Act of 1989, which requires us to keep our salaries and benefits comparable with the salaries and benefits of other federal financial institution regulators. Keeping compensation competitive helps us continue to fulfill our mission to provide the FCS, including Farmer Mac, with effective regulation and oversight.

Figure 3 shows the breakdown of FY 2023 and FY 2022 gross revenue allocated to each of our core program activities. Earned revenue for 2023 totaled $86,791,536, up $3,508,748, or 4.2%, from 2022. Earned revenue increased in 2023 primarily because of increases in institution assessments.

Figure 4 shows the breakdown of our three sources of revenue — assessments, interest on investments, and reimbursable activity — for FY 2023. As one would expect, we derive most of our revenue from

Figure 2. Percentage of gross costs by agency program

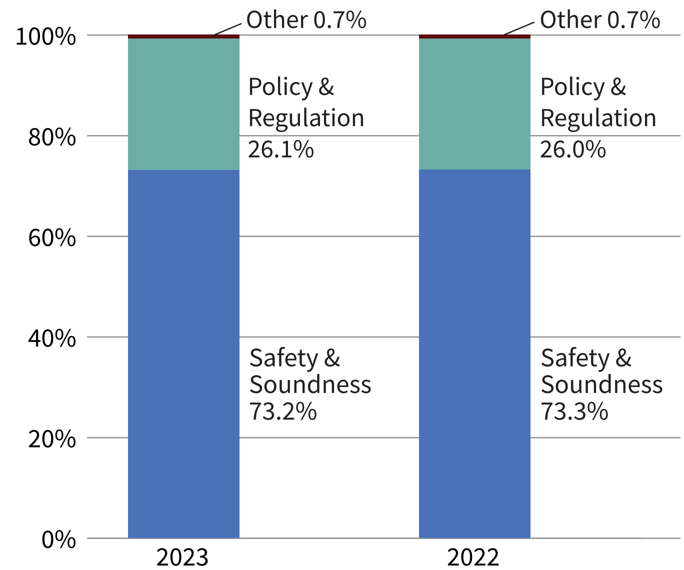
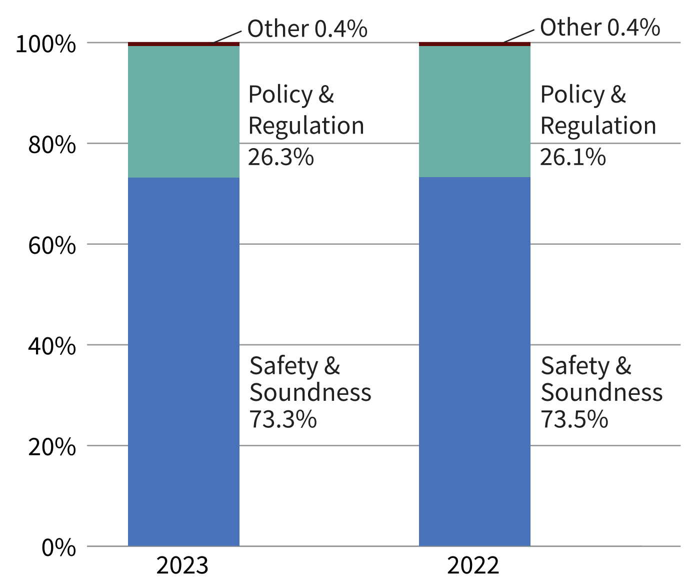


Figure 3. Percentage of gross revenue by agency program



assessments (98.3%). Those revenues are used to fulfill our core program activities of policy and regulation, and the safety and soundness of the System.

Policy and regulation program

We invest significant resources in our policymaking, regulatory, and corporate activity functions to ensure that the FCS, including Farmer Mac, fulfills its policy and regulation mission as mandated by Congress. During FY 2023, we continued to ensure the safe and sound flow of funds to U.S. agriculture and rural areas by providing regulation, policy, and guidance for the FCS and Farmer Mac. The cost of this program also includes the review of borrower complaints and the review and approval of FCS institution mergers.

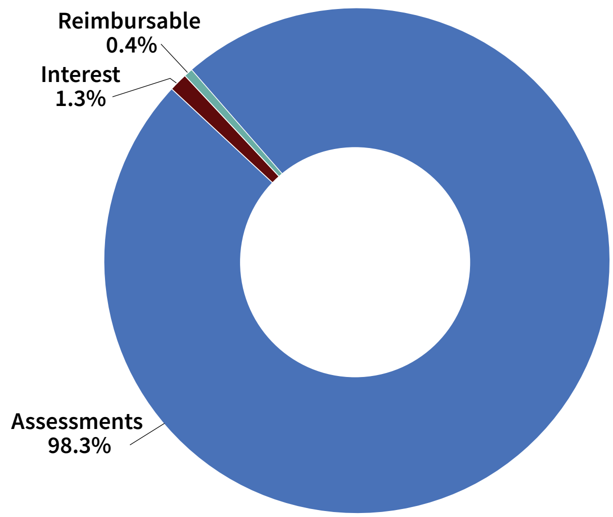
For the fiscal year ended Sept. 30, 2023, the cost of our policy and regulation activities was $25,526,038, representing an increase of $3,044,870, or 13.5%, from the same period the previous year. The cost of the policy and regulation program represents 26.1% of our total costs for 2023.

Safety and soundness program

We invest heavily in the recruitment and training of examination staff through our Examiner Commissioning Program. These recruiting and training efforts are necessary to meet human resource needs and to offset the impact of unplanned employee attrition and the large number of retirements expected within the next few years. These efforts have enabled us to maintain our level of supervision of the FCS while we dealt with the lingering effects of the pandemic in the early part of the fiscal year.

The cost of the examination and supervision of the FCS and Farmer Mac increased $8,042,721, or 12.7%, to $71,467,042. The cost of the safety and soundness program rose for the same reasons that the cost of the policy and regulation program rose — increases in staff and related compensation and benefit costs. Safety and soundness program costs make up the largest portion of our expenditures at the program level: 73.2%.

Figure 4. FY 2023 sources of revenue



Other activity

"Other activity" includes examining and overseeing the National Consumer Cooperative Bank and performing reimbursable services for USDA. Costs associated with this category increased by $104,562 from 2022 to $722,653. The costs for providing reimbursable services remain relatively low compared with the total costs for our core program activities of policy and regulation, and safety and soundness. Other activity represented approximately 0.7% of our total costs in 2023.

Limitations of financial statements

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

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

Forward-looking analysis

In FY 2024, we will continue to fulfill our congressional mission: to ensure that Farm Credit System institutions and Farmer Mac are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America.

As we stated in an informational memorandum about our National Oversight Plan, we will focus on the following areas when conducting examinations of System institutions in FY 2024:

- Cybersecurity threats and a changing operational environment
- Capital markets loan growth and increased risk in large, shared assets and commodity segments
- Long-term financial stewardship
- Stress analysis in a period of heightened volatility and uncertainty
- Standards of conduct

On the regulatory front, we plan to issue several advance notices of proposed rulemakings and proposed rules. We also plan to finalize some previously proposed rules, including the proposed rule on conservators and receivers, and risk weighting of high-volatility commercial real estate. The fall regulatory projects plan, which will soon be available on the FCA website, provides a detailed list of the projects we expect to work on in FY 2024.

In addition to overseeing the System, we will continue to monitor the general and farm economy for risks that may threaten System institutions and their borrowers. Current risks include tight labor markets, continued inflation, rising interest expenses and tighter margins for farmers, and regional drought. We will continue to monitor the economy for these risks and others and to share our findings with the institutions we regulate.

FCA also addresses sustainability in its day-to-day operations. Vonda Bell, our chief human capital officer and director of the Office of Agency Services, serves as our agency's chief sustainability officer. She ensures that the agency has a purposeful approach to identifying and mitigating environmental impacts.

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

Strategy for FCA's financial management system

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

This partnership gives us access to core financial systems without our having to maintain the necessary technical and systems architectures. We use Oracle Federal Financials as our financial system of record. Oracle Federal Financials is a commercial, off-the-shelf software package, which is certified under the Joint Financial Management Improvement Program to meet federal government accounting requirements. This web-based software integrates our key activities, such as e-payroll, e-travel, purchase card activity, and federal investments.

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

By working with the Fiscal Service, we comply with the OMB Financial Management Line of Business initiative, which encourages agencies to improve the cost, quality, and performance of financial management systems by using shared services.

Collaborating with the Fiscal Service also helps us achieve our perennial goal of improving financial management; the collaboration ensures that our financial systems are up to date and in compliance with the latest guidance from the Treasury and OMB. We continue to work on streamlining our business processes to ensure efficient and effective financial management operations.

Federal Managers' Financial Integrity Act

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

The management control objectives under the FMFIA are to reasonably ensure that our

- obligations and costs comply with applicable laws;
- assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- revenues and expenditures are properly recorded and accounted for.

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

As a federal agency, we ensure our compliance with the FMFIA through our financial management system strategy, internal control program, and compliance with applicable laws and regulations.

Internal control program

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

Our internal controls are designed to provide reasonable assurance that transactions are properly recorded, processed, and summarized so that we can prepare financial statements accurately and safeguard our assets.

Our program offices are responsible for implementing and maintaining effective risk management practices and internal controls to ensure the following:

- Alignment of strategic goals with the agency's mission.
- Effective and efficient operations.
- Reliable reporting.
- Compliance with applicable laws and regulations.

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

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

Prompt Payment Act

We follow the Prompt Payment Act guidelines, which call for vendors to be paid no later than 30 days after we receive a valid invoice for the goods and services we've received.

During FY 2023, we paid on time 100% of the 2,964 invoices subject to the Prompt Payment Act. Payments are made by electronic funds transfer through the Secure Payment System.

Debt Collection Improvement Act

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

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

Improper payments

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

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

Digital Accountability and Transparency Act

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

Inspector General Act

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

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

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

Summary of OIG audit, inspection, and evaluation activities

OIG issued six audit, inspection, or evaluation reports during FY 2023, resulting in 20 new recommendations. At the beginning of FY 2023, 17 recommendations remained open from prior fiscal years. Over the course of FY 2023, 20 of the 37 open recommendations were closed. As of Sept. 30, 2023, 17 remained open. The reports are available on the FCA OIG's website at www.fca.gov/about/inspector-general-plans-and-reports. OIG completed the following reviews in FY 2023.

- Farm Credit Administration's Financial Statements (Nov. 10, 2022): The audit included a Management Letter that produced one recommendation.
- Farm Credit Administration's Examiner Staffing Program (Jan. 30, 2023): The audit produced seven recommendations.
- Farm Credit Administration's Compliance with the Payment Integrity Information Act of 2019 for Fiscal Year 2022 (Feb. 22, 2023): The inspection produced no recommendations.
- Farm Credit Administration's Office of Data Analytics and Economics (June 14, 2023): The audit produced five recommendations.
- Farm Credit Administration's Compliance with the Federal Information Security Modernization Act for Fiscal Year 2023 (July 26, 2023): The audit produced no recommendations.
- Farm Credit Administration's Process for Merger Activities in the Farm Credit System (Sept. 28, 2023): The inspection produced seven recommendations.

Summary of OIG recommendations

Open recommendations as of Oct. 1, 2022	17
New recommendations during FY 2023	20
Recommendations closed during FY 2023	20
Open recommendations as of Sept. 30, 2023	17
Recommendations open more than one year	5

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

OIG conducts a quarterly survey of FCS institutions on the agency's examination function. It issues reports on the survey results to the FCA chief examiner and the FCA board. In FY 2023, OIG issued the following survey reports:

- Third and Fourth Quarters and Fiscal Year 2022 Summary (Feb. 2, 2023)
- First and Second Quarters Fiscal Year 2023 (Sept. 7, 2023)

Statement of Assurance

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

FCA has considered risk management practices in the design of internal controls and in the assessment of their effectiveness. We conducted our assessment of risk and internal controls in accordance with OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. Based on the results of this assessment, we can provide reasonable assurance that the internal controls over financial reporting and operational and compliance objectives were operating effectively as of Sept. 30, 2023. No material weaknesses were found in the design or operation of the internal controls.

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

Vincent G. Logan
Board Chairman and Chief Executive Officer
FARM CREDIT ADMINISTRATION
November 13, 2023

Program Performance

This section discusses FCA's performance against the performance goals and metrics identified in the agency's strategic plan for fiscal years 2022 – 2026.

This is the first Performance and Accountability Report published since implementing the current strategic plan, which includes several new performance goals and metrics. Therefore, the performance tables at the end of this section include data from 2023 only.

FCA Performance Report

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

We fulfill our mission by (1) issuing regulations and implementing public policy and (2) identifying risk and taking corrective action.

In fiscal year 2022, we undertook a collaborative and inclusive process to update our strategic plan consistent with guidance from the Office of Management and Budget. The following information outlines the goals and objectives of our strategic plan and explains the purpose of each. The tables at the end of this section include the metrics we adopted in our strategic plan to help us meet our goals and objectives. They also provide the results of those metrics.

Strategic goals

The FCA board adopted two strategic goals for the current strategic plan:

- Ensure a sound financial system that provides a sustainable source of credit for agriculture and rural America. To achieve this goal, we adopted seven strategic objectives, 15 performance goals, and 20 metrics.
- Foster the long-term viability of the U.S. agricultural economy while supporting young, beginning, and small (YBS) farmers, ranchers, and aquatic producers. To achieve this goal, we adopted two strategic objectives, five performance goals, and five metrics.

Goal 1 — Ensure a sound financial system that provides a sustainable source of credit for agriculture and rural America.

This strategic goal directly reinforces FCA's mission and addresses the following three focus areas:

- We will consider the challenges facing the System's small versus large associations when evaluating merger proposals and administering its examination and regulatory programs.
- We will evaluate the effectiveness of the contingency plans of System institutions and Farmer Mac in addressing weather and other environmental threats to agriculture that we identify through scenario testing.
- We will assess the preparedness of System institutions and Farmer Mac for cybersecurity threats and events.

Goal 1, Strategic objective 1.1: Ensure compliance with laws and regulations that support the sound financial condition and performance of all System institutions.

Complying with laws and regulations is crucial for System institutions because it helps maintain their stability, reputation, and overall health. It protects them against legal and operational risks, prevents unethical behavior, and maintains the trust of borrowers and other stakeholders. It also fosters transparency, accountability, and fair practices, which are essential for the long-term success of financial institutions and the broader financial system.

Goal 1, Strategic objective 1.2: Ensure that the System makes products and services available to all creditworthy and eligible borrowers in an impartial manner.

FCA regulations require each direct-lender System institution to include in its operating and strategic business plan a marketing plan with strategies for providing its products and services to all creditworthy and eligible prospective borrowers. Serving all such borrowers in an impartial manner promotes financial inclusion and equity. It allows individuals, regardless of their backgrounds, to access opportunities for economic growth and risk management. This inclusive approach contributes to a healthier farm economy, reduces disparities, and enables more people to prosper.

Goal 1, Strategic objective 1.3: Ensure that Farmer Mac provides secondary market programs that increase the availability of credit and liquidity to agriculture, rural communities, and rural infrastructure.

Farmer Mac helps increase the availability of credit in rural communities by giving lenders greater liquidity and lending capacity, thus enhancing their service to farmers, ranchers, and rural utilities. The statute requires the Farmer Mac board to promote the inclusion of qualified loans for small farms and family farmers in the agricultural mortgage secondary market. FCA, through its Office of Secondary Market Oversight, monitors and oversees Farmer Mac's activities. Ensuring that Farmer Mac provides effective secondary market programs supports agriculture and rural communities by facilitating access to credit and liquidity. This, in turn, contributes to increased agricultural productivity, job creation, and improved living standards in rural areas. Furthermore, secondary market programs can attract more investors to rural investment projects, ultimately stimulating economic growth and resilience in these regions.

Goal 1, Strategic objective 1.4: Promote opportunities for stakeholder engagement when establishing and reviewing regulatory and policy proposals.

Promoting opportunities for stakeholders to engage in the regulatory and policy development process leads to better decision making. Involving diverse stakeholders, including industry representatives, borrower advocates, experts, and the public, ensures that we consider different perspectives, concerns, and expertise when setting policy. This collaborative approach helps us identify potential pitfalls, unintended consequences, and alternative solutions. It also increases transparency and accountability, fostering public trust and reducing the likelihood of contentious issues arising later. Ultimately, engaging stakeholders leads to more balanced and well-rounded regulations and policies that are more likely to achieve their intended goals.

Goal 1, Strategic objective 1.5: Promote System lending for, and investments in, rural infrastructure to foster the vitality of rural communities.

Supporting rural infrastructure fosters the vitality of rural communities by stimulating economic growth, improving agricultural productivity, delivering quality services, and attracting further investment. This makes current rural residents less likely to move away and others more likely to move into rural communities. In essence, promoting System lending for, and investments in, rural infrastructure strengthens rural communities, ensuring they will be there for future generations.

Goal 1, Strategic objective 1.6: Encourage board and workforce diversity at System institutions and Farmer Mac.

Diverse representation on the board and in the workforce ensures that the policies and programs of System institutions consider the wide range of challenges and needs facing all eligible, creditworthy potential borrowers in their territories. Overall, embracing diversity enhances an institution's effectiveness, adaptability, and relevance.

Goal 1, Strategic objective 1.7: Ensure that the System and Farmer Mac identify and implement safeguards to mitigate the potential impact of established and emerging risks.

Identifying and implementing safeguards to mitigate the impact of risk is a fundamental part of the System's and Farmer Mac's responsibility. Doing so is critical to their ability to fulfill their roles in supporting agriculture and rural communities. These safeguards foster financial resilience, stakeholder trust, regulatory compliance, and long-term sustainability.

Goal 2 — Foster the long-term viability of the U.S. agricultural economy while supporting young, beginning, and small (YBS) farmers, ranchers, and aquatic producers.

Congress requires that System associations maintain programs to provide credit and related services to YBS farmers, ranchers, and aquatic producers. These programs bolster the agriculture industry's ability to provide for the nation's food needs, maintain economic vitality, and address pressing challenges such as sustainability and the transition of ag operations from one generation to the next. Achieving this goal supports food security, economic stability, rural development, innovation and sustainability, generational transition, diversity of agriculture, skill development, community vibrancy, environmental stewardship, and global competitiveness.

Goal 2, Strategic objective 2.1: Promote access to YBS lending programs and financial services for eligible borrowers.

This strategic objective promotes access to YBS services for eligible borrowers. This helps ensure that all eligible borrowers in an institution's territory can take advantage of the services the institution offers to young, beginning, and small producers.

Goal 2, Strategic objective 2.2: Encourage effective outreach by System institutions to promote the success of YBS farmers, ranchers, and aquatic producers.

This objective helps ensure that System institutions reach out to potential YBS borrowers in their territories. Effective outreach is critical to identifying groups and individuals who might not otherwise know that these services exist. Achieving this objective gives more YBS producers the chance to succeed.

Stewardship objectives

To support the two strategic goals and reinforce the agency's commitment to fulfilling its mission, the FCA board adopted three stewardship objectives for the current strategic plan:

- Ensure a well-trained, engaged, and diverse staff working effectively in a safe, efficient, and modern workplace. To achieve this objective, we have developed 12 performance goals and 15 metrics.
- Ensure that data and technology assets are accessible, protected, and used effectively in a modern environment. For this objective, we have developed nine performance goals and seven metrics.
- Ensure sound management and oversight of agency financial resources to achieve strategic goals. For this objective, we have developed three performance goals and three metrics.

Stewardship objective 1 — Ensure a well-trained, engaged, and diverse staff working effectively in a safe, efficient, and modern workplace.

FCA has consistently been recognized as one of the top 10 best small agencies to work for in the federal government. This objective helps us maintain our strong record. It reflects our commitment to having a diverse and inclusive workforce and respecting individuals and their cultures while complying with merit principles and applicable federal laws. We strive to ensure that our employees have the resources and skills they need to excel professionally. The agency achieves this through strategic workforce initiatives that help motivate, engage, and retain a 21st century workforce.

Stewardship objective 1, Sub-objective 1: Enhance FCA's workforce diversity.

Enhancing workforce diversity improves overall organizational health. Diverse teams bring together a variety of perspectives, experiences, and ideas, fostering innovation and creative problem-solving. Diversity also fosters more well-rounded decision making, attracts a wider range of talent, reduces turnover, promotes fairness and equality, and demonstrates responsible public stewardship.

Stewardship objective 1, Sub-objective 2: Ensure that employees have clear, measurable performance expectations that are aligned with FCA's mission and strategic plan.

Having clear, measurable performance expectations that align with our mission and strategic plan is a cornerstone of effective management, employee engagement, and organizational success. Clear expectations ensure that employees understand their roles, priorities, and how their work contributes to the agency's overall objectives. They also provide a basis for evaluating employee performance objectively, fostering accountability and transparency. Clear expectations also promote efficiency and strategic alignment at every level of the agency.

Stewardship objective 1, Sub-objective 3: Ensure that employees receive targeted professional training and development opportunities.

Targeted training and development opportunities foster a skilled, engaged, and adaptable workforce. These opportunities help employees acquire new skills and knowledge, and enhance their capabilities and job performance. Ongoing training helps employees adapt to new technologies, industry trends, and changing job requirements. It also encourages innovation by exposing employees to new ideas, approaches, and best practices. Investing in development shows employees that their growth is valued, which can boost job satisfaction, recruitment, retention, and overall engagement.

Stewardship objective 1, Sub-objective 4: Ensure that agency policies and practices demonstrate a culture of respect and professionalism toward all individuals, internal and external to FCA.

A culture of respect and professionalism is foundational for a healthy and successful agency because the culture affects employee experiences, productivity, and interactions. As a financial regulator, we emphasize ethical conduct among all employees. Maintaining a culture of respect and professionalism enhances employee well-being, increases productivity, improves retention, and fosters collaboration and inclusion.

Stewardship objective 2 — Ensure that data and technology assets are accessible, protected, and used effectively in a modern environment.

This stewardship objective helps ensure that we have the data and technology we need to fulfill our mission, that we have the means to protect them, and that our employees have the skills to use them effectively.

Stewardship objective 2, Sub-objective 1: Safeguard data and technology assets and provide technology platforms designed to enhance employee productivity.

Effectively managing our data and technology assets ensures that we can harness our employees' full potential, remain secure, make informed decisions, and maintain relevance in a rapidly evolving environment. Accessible data promotes better decision-making and ensures that our employees can respond to challenges and opportunities more effectively. Effective use of technology and data also fosters innovation by enabling secure exploration and analysis, and the development of responsive solutions. Protecting data safeguards against cyber threats, breaches, and unauthorized access.

Stewardship objective 2, Sub-objective 2: Advance evidence-based policy and organizational decision making.

Advancing evidence-based policy and decision making ensures that FCA makes well-informed, logical, and defensible choices that contribute to the agency's overall success. Decisions rooted in evidence reduce the risk of negative consequences, foster accountability and trust among stakeholders, and support continuous process improvement and strategic alignment.

Stewardship objective 3 — Ensure sound management and oversight of agency financial resources to achieve strategic goals.

This stewardship objective underscores the importance of accountability and transparency as we perform our fiduciary duties.

Stewardship objective 3, Sub-objective 1: Ensure accountability and transparency in the execution of our fiduciary duties and ability to deliver reliable financial information to our stakeholders.

Ensuring accountability and transparency in performing fiduciary duties and financial reporting is essential to our ability to maintain trust, comply with regulations, make informed decisions, and ensure the overall health and sustainability of our agency. We foster good stewardship of our financial resources by ensuring that we balance the amounts assessed to the System and Farmer Mac with the costs of ensuring their safety, soundness, and mission fulfillment.

Stewardship objective 3, Sub-objective 2: Ensure that assessments for Farm Credit System institutions are appropriate based on reasonable costs associated with the agency's examination and activities.

Appropriate assessments for Farm Credit System institutions ensure alignment between our regulatory costs and our mandate as a financial system regulator. Our goal is to provide a balanced and effective regulatory framework that contributes to the stability and integrity of the financial sector.

Data validation and verification

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

Our data validation and verification activities include the following:

- Using applied measurement techniques to identify sources, validate data, and generate meaningful information.
- Identifying and implementing authoritative sources, calculations, and standards.
- Using automated data collection systems and reporting whenever available.
- Using automated data checking procedures and manual verification.
- Analyzing data and identifying possible discrepancies for resolution.
- Implementing controls, such as restricting permissible values, flagging outliers for review, and visually checking results in development stages of dashboards and reports.
- Requiring data owners and users to review data.
- Consolidating and deploying enterprise tools for standardized reporting.
- Performing independent quality assurance reviews before issuing reports.
- Reviewing and discussing performance results with the executive leadership team.

Table 8a. Performance measures and results for goal 1

July 1, 2022, to June 30, 2023

Metric SO1.1.a: Most objectives listed in the preamble of each final rule were met on the two-year anniversary of the rule's effective or implementation date. (Target: Yes)

Results: Seven rules met the reporting requirement. The objectives listed in the preamble of the final rules were met on the two-year anniversary of the implementation date.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

Metric SO1.1.b: Percentage of System institutions where supervisory agreement requirements were at least substantially met within 18 months of execution. (Target: >80%)

Results: The agency does not have any supervisory agreements in place with FCS institutions. This metric is not applicable as of June 30, 2023.

2023 Target	2023 Results	Results vs. target
>80%	N/A	N/A

Metric SO1.1.c: Percentage of institutions with satisfactory audit and review programs, including institutions with acceptable corrective action plans. (Target: 100%)

Results: Our oversight and examination program specifically emphasizes strong internal controls at all System institutions, including internal controls over financial reporting. In 2023, 98% of institutions had satisfactory audit and review programs, which include acceptable corrective action plans. However, the 100% target was not met because one institution's corrective action plan was not adequate to resolve internal-control program weaknesses. This institution is now under an increased level of examination oversight.

2023 Target	2023 Results	Results vs. target
100%	98%	▼

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables: **>** is greater than; **N/A** indicates either that the measure is not applicable or that FCA's performance could not be measured; ▲ indicates we exceeded the FY 2023 target; ✓ indicates we achieved the FY 2023 target; ▼indicates we did not meet the FY 2023 target.

Metric SO1.1.d: Percentage of System assets with a 1 or 2 composite Financial Institution Rating System (FIRS) rating. (Target: >98%)

Results: FCA uses the FIRS to assess the safety and soundness of each FCS institution. Similar to the systems used by other federal banking regulators, FIRS is a framework of component and composite ratings to help examiners evaluate significant financial, asset quality, and management factors. FIRS ratings range from 1 for a sound institution to 5 for an institution likely to fail. In 2023, 99% of all System assets (which include loans to borrowers, System investments, and acquired property) were held by institutions with a 1 or 2 composite FIRS rating, exceeding the target on this metric.

2023 Target	2023 Results	Results vs. target
>98%	>99%	▲

Metric SO1.2.a: Percentage of FCS institutions providing products and services to creditworthy and eligible persons. (Target: 100%)

Results: FCA regulations require each direct-lender System institution to include in its operating and strategic business plan a marketing plan with strategies for providing the institution's products and services to all creditworthy and eligible persons. The Office of Examination has updated examination guidance and communications with the System on FCA's minimum business plan expectations beyond regulatory compliance, including diversity and inclusion requirements. Annually, we review all System institutions' business plans for compliance with FCA regulations and examination guidance. In 2023, 100% of FCS institutions had satisfactory operating, marketing, and strategic plans for providing products and services to all creditworthy and eligible persons.

2023 Target	2023 Results	Results vs. target
100%	100%	✓

Metric SO1.2.b: FCA solicited comments from the public and other interested parties on certain guidance and all regulations issued by the agency. (Target: Yes)

Results: FCA published a solicitation for comment on regulatory burden in the Federal Register in addition to publishing other proposed rules and advance notices of proposed rulemaking. The public and other interested parties were invited to comment on these publications.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables: **>** is greater than; **N/A** indicates either that the measure is not applicable or that FCA's performance could not be measured; ▲ indicates we exceeded the FY 2023 target; ✓ indicates we achieved the FY 2023 target; ▼ indicates we did not meet the FY 2023 target.

Metric SO1.2.c: Percentage of direct-lender institutions with satisfactory consumer and borrower rights compliance. (Target: >90%)

Results: Our examiners regularly evaluate compliance with consumer and borrower rights regulations by reviewing policies, programs, processes, and loans. In 2023, 100% of direct-lender institutions had satisfactory consumer and borrower rights compliance.

2023 Target	2023 Results	Results vs. target
>90%	100%	▲

Metric SO1.3.a: The Office of Secondary Market Oversight (OSMO) effectively identified emerging risks as part of the examination and oversight process. (Target: Yes)

Results: FCA, through OSMO, monitors and oversees Farmer Mac's activities. We effectively identify risk by completing an annual risk assessment of Farmer Mac's operations to determine where to focus examination resources and time. In addition, we issue an annual informational memorandum to identify specific areas of emphasis during the upcoming examination cycle. We identify these focus areas during our annual planning process and consider them for updates based on the results of our ongoing monitoring and oversight.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

Metric SO1.3.b: OSMO took appropriate supervisory and corrective actions. (Target: Yes)

Results: OSMO is responsible for executing the examination of Farmer Mac. Through OSMO, we issue corrective actions to Farmer Mac that warrant the attention of its board and management; the corrective actions aim to improve the overall safety and soundness of Farmer Mac. We evaluate actions taken to address matters requiring attention and recommendations on a quarterly basis and summarize progress in interim activity letters and the annual report of examination. In 2023, actions taken in response to our examination activities strengthened Farmer Mac's operations, and its efforts to address corrective actions were satisfactory.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables: **>** is greater than; **N/A** indicates either that the measure is not applicable or that FCA's performance could not be measured; ▲ indicates we exceeded the FY 2023 target; ✓ indicates we achieved the FY 2023 target; ▼ indicates we did not meet the FY 2023 target.

Metric SO1.3.c: OSMO evaluated whether Farmer Mac's business plan contains strategies to promote and encourage the inclusion of all qualified loans (including loans to small farms and family farmers) in its secondary market programs. (Target: Yes)

Results: Statute requires the Farmer Mac board to promote and encourage the inclusion of qualified loans for small farms and family farmers in the agricultural mortgage secondary market. Through OSMO, we evaluated the contents of Farmer Mac's 2023 business plan. We found that the plan contained strategies for promoting and encouraging the inclusion of all qualified loans, including small and family farm loans, in its secondary market programs. In addition, we reviewed Farmer Mac's mission achievement report, which Farmer Mac submits annually to FCA; this report includes activity related to small and family farms.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

Metric SO1.3.d: OSMO evaluated Farmer Mac's progress toward achieving its mission to provide a source of long-term credit and liquidity for qualified loans. (Target: Yes)

Results: Farmer Mac submits an annual mission achievement report to FCA, which includes activity related to small and family farms and market penetration. Each year during our examination of Farmer Mac, we review its mission achievement report, and we document results and conclusions in our annual report of examination. We included these results in our 2022 report of examination, which was issued to Farmer Mac in November 2022, and we will include these results in our 2023 report.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

Metric SO1.3.e: OSMO assessed the need for new or revised regulatory and policy guidance for Farmer Mac as new risks emerged. (Target: Yes)

Results: Through OSMO, we assess the need for new or revised regulatory and policy guidance for Farmer Mac in our annual operating plan. If new risks emerge during the year, we make adjustments to planned regulatory or policy projects. In FY 2023, the FCA board approved an advance notice of proposed rulemaking to consider updating Farmer Mac's regulatory capital framework.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables: **>** is greater than; **N/A** indicates either that the measure is not applicable or that FCA's performance could not be measured; ▲ indicates we exceeded the FY 2023 target; ✓ indicates we achieved the FY 2023 target; ▼ indicates we did not meet the FY 2023 target.

Metric SO1.4.a: FCA requested input from persons outside of FCA for at least 90% of pre-rulemaking projects and proposed rules. (Target: Yes)

Results: FCA regulatory and policy workgroups engaged in pre-rulemaking and policy drafting outreach to the Farm Credit System and other interested parties in developing positions for board consideration.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

Metric SO1.5.a: FCA mentioned the importance of rural infrastructure in congressional testimony and public communications. (Target: Yes)

Results: In a speech at the large annual meeting of the Farm Credit Council in February 2023, FCA Board Chairman Vincent Logan praised the System's contributions to rural communities, noting that the System is a significant source of credit to power, water, and telecommunications cooperatives, as well as to farmer and rancher co-ops. He also recognized the System for its investments in local communities. The speech is available on our website. This issue has also been raised in our public board meetings, which are recorded and posted to our website. In addition, in recent meetings with System institutions and with Native American tribal councils, the chairman has discussed the System's support for rural utilities and other infrastructure.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

Metric SO1.5.b: FCA evaluated System institution requests for compliance with agency regulations and guidance regarding investments in rural infrastructure. (Target: Yes)

Results: With assistance from our Office of Examination and Office of General Counsel, our Office of Regulatory Policy evaluates all System institution requests and applications for their compliance with agency regulations and guidance.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

Metric SO1.6.a: FCA responded to comments from System institutions regarding diversity and inclusion challenges. (Target: Yes)

Results: FCA reviews and analyzes all comments from System institutions regarding our rules. When comments report challenges related to diversity and inclusion, we address each comment individually, and where appropriate, we will tailor our rules in response to comments received.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables: **>** is greater than; **N/A** indicates either that the measure is not applicable or that FCA's performance could not be measured; ▲ indicates we exceeded the FY 2023 target; ✓ indicates we achieved the FY 2023 target; ▼ indicates we did not meet the FY 2023 target.

Metric SO1.6.b: Percentage of System institutions including Farmer Mac with objectives for addressing board and workforce diversity within the annual business plan. (Target: 100%)

Results: Our Office of Examination has updated examination guidance and communications with the System on our minimum business plan expectations beyond regulatory compliance, including diversity and inclusion requirements. Annually, we review all System institutions' business plans for compliance with FCA regulations and examination guidance. In 2023, 100% of FCS institutions, including Farmer Mac (monitored and overseen by OSMO), had satisfactory operating, marketing, and strategic plans for addressing board and workplace diversity. In our review of Farmer Mac's 2023 business plan, we found the plan contained adequate strategies for addressing board and workforce diversity.

2023 Target	2023 Results	Results vs. target
100%	100%	✓

Metric SO1.7.a: Percentage of System institutions, including Farmer Mac, with contingency plans to preserve capital adequacy, earnings capacity, and access to funding. (Target: 100%)

Results: Our examination program emphasizes adequacy of strategic business plans, focusing on capital and portfolio planning. Our examiners review each institution's plans to ensure that the evaluation of capital needs and capitalization goals and strategies includes an assessment of key uncertainties in the operating environment. Similarly, we evaluate whether stress testing scenarios are sufficient to capture the impacts of the macroeconomic stressors on borrower financial performance and portfolio quality. In 2023, 98% of the System's banks and associations had contingency plans to preserve capital adequacy, earnings capacity, and access to funding. However, the 100% target was not met because one institution did not have sufficient contingency plans to preserve earnings capacity or adequately address negative stress test results. This institution is now under an increased level of examination oversight. Farmer Mac, which is monitored and overseen by OSMO, had a sufficient contingency plan.

2023 Target	2023 Results	Results vs. target
100%	Banks and associations 98%	▼
100%	Farmer Mac 100%	✓

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables: **>** is greater than; **N/A** indicates either that the measure is not applicable or that FCA's performance could not be measured; ▲ indicates we exceeded the FY 2023 target; ✓ indicates we achieved the FY 2023 target; ▼ indicates we did not meet the FY 2023 target.

Metric SO1.7.b: Percentage of System institutions including Farmer Mac addressing cybersecurity threats and controls in risk assessments and internal audit plans. (Target: 100%)

Results: Our oversight and examination program specifically evaluates how System institutions address cybersecurity threats and controls in risk assessments and internal audit plans. All System institutions including Farmer Mac addressed cybersecurity threats and controls in 2023 risk assessments and internal audit plans.

2023 Target	2023 Results	Results vs. target
100%	100%	✓

Metric SO1.7.c: FCA published a semiannual Unified Agenda that outlines the agency's planned regulatory actions for the next 12 to 24 months. (Target: Yes)

Results: The Fall Unified Agenda was published in January 2023, after approval by the Office of Management and Budget (OMB). The Spring Unified Agenda was published in June 2023, after OMB approval.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables:
> is greater than; **N/A** indicates either that the measure is not applicable or that FCA's performance could not be measured; ▲ indicates we exceeded the FY 2023 target; ✓ indicates we achieved the FY 2023 target; ▼indicates we did not meet the FY 2023 target.

Table 8b. Performance measures and results for goal 2

July 1, 2022, to June 30, 2023

Metric SO2.1.a: Percentage of direct-lender institutions with YBS programs in compliance with YBS regulations. (Target: 100%)

Results: We continue to evaluate the effectiveness of association YBS programs in providing constructive credit to eligible and creditworthy YBS farmers and ranchers. We have also updated examination guidance as needed to enhance our ability to assess institution efforts and regulatory compliance in this area.

2023 Target	2023 Results	Results vs. target
100%	100%	✓

Metric SO2.1.b: FCA published a semiannual Unified Agenda that outlines the agency's planned regulatory actions, including YBS, for the next 12 to 24 months. (Target: Yes)

Results: The Fall Unified Agenda was published in January 2023 after OMB approval. The Spring Unified Agenda was published in June 2023 after OMB approval.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

Metric SO2.1.c: Qualitative and quantitative improvements were made to YBS data. (Target: Yes)

Results: Next year, FCA plans to transition to a new reporting system that will give us a clearer picture of YBS lending by allowing us to better break down and categorize loan data. Effective Jan. 1, 2024, FCA will define small farmers and ranchers as those with gross annual sales of less than $350,000, which is more consistent with the current agricultural landscape and is in line with the Department of Agriculture's criteria for small farmers and ranchers. In addition, we instituted the nonlending report survey in 2020. The nonlending report provides new insights into YBS services and is fundamental to comprehensively understanding YBS programs. By combining this information with the new YBS reporting on lending activity, we will provide a more complete view of YBS activity.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables: **>** is greater than; **N/A** indicates either that the measure is not applicable or that FCA's performance could not be measured; ▲ indicates we exceeded the FY 2023 target; ✓ indicates we achieved the FY 2023 target; ▼ indicates we did not meet the FY 2023 target.

Metric SO2.2.a: Percentage of System institutions identifying outreach efforts for YBS in their annual business plans. (Target: > 90%)

Results: Annually, we review all System institutions' business plans, including the strategies related to their YBS programs, for compliance with FCA regulations and examination guidance. Institutions should include sound, well-considered, and documented strategies and actions for marketing their products and services to all eligible and creditworthy persons, and for reaching out specifically to YBS farmers and ranchers. As part of our examination activities, we also review institution annual reports for discussion of how they are meeting their mission and how successful their outreach efforts have been. In 2023, 100% of FCS institutions identified their YBS outreach efforts in their operating, marketing, and strategic plans.

2023 Target	2023 Results	Results vs. target
>90%	100%	▲

Metric SO2.2.b: FCA facilitated sharing of effective YBS practices among System institution decision-makers. (Target: Yes)

Results: FCA held a YBS conference at Colorado State University in March 2022, which brought together representatives from most System institutions to discuss best practices and offer suggestions on FCA's rulemaking efforts. A proposed rule was published in the Federal Register in June 2022 that would require updates to the System's YBS planning, as well as more System collaboration.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables: **>** is greater than; **N/A** indicates either that the measure is not applicable or that FCA's performance could not be measured; ▲ indicates we exceeded the FY 2023 target; ✓ indicates we achieved the FY 2023 target; ▼indicates we did not meet the FY 2023 target.

Table 8c. Performance measures and results for stewardship objective 1

Note: Reporting period for metrics for stewardship objective 1 is Oct. 1, 2022, to Sept. 30, 2023.

Metric ST1.1.a: Ensured recruiting efforts included outreach to academic institutions with active diversity recruitment programs. (Target: Yes)

Results: During fall 2022 and spring 2023, FCA recruited from more than 30 colleges and universities, including minority-serving institutions such as historically Black colleges and universities, Hispanic-serving institutions, and Native American-serving nontribal institutions. Approximately two-thirds of the colleges and universities that FCA recruited from were among those types of institutions. As part of our 2023 reorganization, FCA expanded and elevated the Office of Equal Employment Opportunity and Inclusion to report directly to the chairman of the board and CEO. The office also established a new position with a special focus on outreach and employment to support internal and external diversity, equity, inclusion, and accessibility.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

Metric ST1.1.b: On the 2023 Federal Employee Viewpoint Survey, the agency score was at least equal to the composite score for all small agencies on the statement "My supervisor demonstrates a commitment to workforce diversity (e.g., promotion opportunities, development)." (Target: Yes)

Results: In 2023, 87% of FCA employees responded positively to this statement. By comparison, the small agency composite score was 80%.

Our employees consistently rate supervisors high in the area of diversity and inclusion. On the basis of our 2022 survey results, the Partnership for Public Service ranked us number 1 for diversity among small agencies on its Best Places to Work rankings.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

Metric ST1.1.c: On the 2023 Federal Employee Viewpoint Survey, the agency score was at least equal to the composite score for all small agencies on the statement "My organization's management practices promote diversity (e.g., outreach, recruitment, promotion opportunities). (Target: Yes)

Results: In 2023, 87% of FCA employees responded positively to this statement. By comparison, the small agency composite score was 73%.

In addition to striving for diversity in our recruiting, we foster an inclusive work culture, where diverse perspectives and backgrounds are celebrated and encouraged through our

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables: **>** is greater than; **N/A** indicates either that the measure is not applicable or that FCA's performance could not be measured; ▲ indicates we exceeded the FY 2023 target; ✓ indicates we achieved the FY 2023 target; ▼indicates we did not meet the FY 2023 target.

employee-led special emphasis programs (SEPs). Throughout the year, the SEPs carried out activities consistent with agency leadership focus areas. Here are a few examples of these activities:

- Hosted an information session for agency staff on the PACT Act, which expanded the Department of Veterans Affairs health care and benefits for veterans exposed to burn pits and other toxic substances.
- Hosted a women's mentoring series that gave female employees an opportunity to share their personal and professional experiences, and the challenges and opportunities they have faced in their FCA careers.
- Created an agency flag policy so that we could raise a nonofficial flag for the first time during Pride Month.
- Published a quarterly diversity, equity, inclusion, and accessibility newsletter to provide informal training opportunities and information on these concepts from an employee perspective.
- Provided input on work-life policies such as parental leave and childcare subsidy.
- Coordinated special observances and community food and clothing drives.

Finally, each spring, our employees participate in Diversity Day. In 2023, employees in our McLean office "took a trip down Route 66." SEPs created displays to represent diverse cultures along the route. Each display shared stories, explored unique foods, and showcased cultural artifacts.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

Metric ST1.2.a: Performance management-related policies and procedures are current (i.e., updated within past two years). (Target: Yes)

Results: In 2022, FCA released a performance management overview and quick guide summarizing the performance management cycle and highlighting key dates for completing performance plans, conducting midyear reviews, and submitting year-end final ratings. FCA's performance management specialist delivered informational webinars for supervisors and managers and issued guidance to help them engage with employees throughout the performance year.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

Metric ST1.2.b: Percentage of employees whose performance plans were established in a timely manner. (Target: >95%)

Results: FCA's supervisors and managers demonstrated a commitment to providing employees with clear expectations; they established 95.8% of all employee performance plans in a timely manner. FCA's performance management specialist monitored the repository of performance plans and issued reminders to help supervisors meet this metric.

2023 Target	2023 Results	Results vs. target
>95%	95.8%	✓

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables:
> is greater than; **N/A** indicates either that the measure is not applicable or that FCA's performance could not be measured;
▲ indicates we exceeded the FY 2023 target; ✓ indicates we achieved the FY 2023 target; ▼indicates we did not meet the FY 2023 target.

Metric ST1.2.c: Percentage of employees who received midterm performance reviews in a timely manner. (Target: >95%)

Results: FCA's supervisors and managers demonstrated a commitment to providing periodic feedback to employees by timely conducting midyear performance discussions for 95.5% of employees.

2023 Target	2023 Results	Results vs. target
>95%	95.5%	✓

Metric ST1.2.d: Percentage of employees who received final rating reviews in a timely manner. (Target: >95%)

Results: FCA's supervisors and managers demonstrated a commitment to ensuring employees received timely end-of-year performance feedback; they completed annual performance reviews for 97.7% of employees in a timely manner. To help managers and supervisors provide quality, timely, and actionable feedback, FCA's performance management specialist issued reminders and hosted educational webinars and training sessions.

2023 Target	2023 Results	Results vs. target
>95%	97.7%	✓

Metric ST1.2.e: On the 2023 Federal Employee Viewpoint Survey, the agency score was at least equal to the composite score for all small agencies on the statement "I know what is expected of me on the job." (Target: Yes)

Results: In 2023, 89% of FCA employees responded positively to this statement. By comparison, the small agency composite score was 82%.

FCA's performance management process and five-part appraisal system promote clear communication to employees regarding expectations on the job. Part I, "Performance Plan Critical Elements," contains narrative descriptions of each rating element and the applicable performance standards. Part II, "Agreed-Upon Expectations," includes goals to be achieved during the appraisal period. Part III includes the midterm performance review documents for use about six months into the appraisal period. These forms allow supervisors to enter official comments on employee performance under each rating element, and to provide constructive feedback on employee strengths and areas for improvement. Part IV is a summary rating sheet that compiles the employee's numerical ratings for each plan element and the overall numerical and narrative rating. Part V, "Recommended Training and Development," ties the performance ratings to training needs, further supporting employee growth and clear job expectations.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables:
> is greater than; **N/A** indicates either that the measure is not applicable or that FCA's performance could not be measured; ▲ indicates we exceeded the FY 2023 target; ✓ indicates we achieved the FY 2023 target; ▼indicates we did not meet the FY 2023 target.

Metric ST1.2.f: On the 2023 Federal Employee Viewpoint Survey, the agency score was at least equal to the composite score for all small agencies on the statement "I know how my work relates to the agency's goals." (Target: Yes)

Results: In 2023, 95% of FCA employees responded positively to this statement. By comparison, the small agency composite score was 87%.

FCA conducts an inclusive and transparent strategic planning process to set the agency's long-term goals and objectives. A strategic planning workgroup composed of representatives from each office developed the strategic plan. Each member of the workgroup communicated with employees within their office, helping employees to connect agency goals with work at their level. Annual operating and budget plans cascade from the agency's strategic plan, further helping employees connect their work duties and objectives to organizational goals.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

Metric ST1.2.g: At least three training programs were delivered annually on working in a hybrid telework environment. (Target: Yes)

Results: FCA understands the importance of succeeding in a hybrid work environment as more and more employees split their workweek between the office and home. In 2023, FCA promoted 12 sessions titled "Thriving in a Hybrid Environment." Conducted by the Office of Personnel Management (OPM), this training, which was held both in-person and virtually, was designed to help employees understand the hybrid environment. These sessions promoted effective performance management practices, explored hybrid norms, established typical processes and protocol for individuals and teams, and featured OPM's Hybrid Leadership Model.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

Metric ST1.3.a: On the 2023 Federal Employee Viewpoint Survey, the agency score was at least equal to the composite score for all small agencies on the statement "I receive the training I need to do my job well." (Target: Yes)

Results: In 2023, 92% of FCA employees responded positively to this statement. By comparison, the small agency composite score was 89%.

FCA recently expanded the number of its eLearning platform (Percipio) licenses in order to grant access to all employees. With this platform, our employees have access to self-guided skill assessments in over 19 disciplines (data skills, project management, leadership, business operations, programming, cloud computing, etc.) that employees can use to benchmark their skills. These assessments help employees understand their strengths and weaknesses in

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables: **>** is greater than; **N/A** indicates either that the measure is not applicable or that FCA's performance could not be measured; ▲ indicates we exceeded the FY 2023 target; ✓ indicates we achieved the FY 2023 target; ▼indicates we did not meet the FY 2023 target.

a discipline and offer appropriate training and development opportunities on the platform. In addition, our processes for developing performance appraisals and individual development plans help frontline managers have constructive conversations with employees about development and how it relates to job performance. These processes also help managers to offer training and development opportunities such as details, on-the-job training, and stretch projects.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

Metric ST1.3.b: On the 2023 Federal Employee Viewpoint Survey, the agency score was at least equal to the composite score for all small agencies on the statement “Supervisors in my work unit support employee development.” (Target: Yes)

Results: In 2023, 96% of FCA employees responded positively to this statement. By comparison, the small agency composite score was 84%.

Recognizing that employee development helps us achieve our mission, we recently expanded the number of eLearning platform (Percipio) licenses in order to grant access to all employees. During the first nine months of enterprise-wide access, our employees accessed content on the platform nearly 2,200 times. In addition to using this platform, FCA employees participated in 360 trainings, courses, and conferences, which were delivered by third-party vendors. This represents nearly eight training interactions per employee at FCA.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

Metric ST1.4.a: On the 2023 Federal Employee Viewpoint Survey, the agency score was at least equal to the composite small agency score on the Employee Engagement Index. (Target: Yes)

Results: In 2023, 84% of FCA employees responded positively on this index. By comparison, the small agency composite score was 75%.

The Federal Employee Viewpoint Survey Employee Engagement Index uses questions from the survey to measure conditions that are conducive to employee engagement. Engagement relates to employee motivation. The index is composed of three subindexes:

- “Leaders Lead” measures employees’ perceptions of leadership’s integrity, as well as leadership behaviors such as communication and workforce motivation.
- “Supervisors” measures the interpersonal relationship between worker and supervisor, including trust, respect, and support.
- “Intrinsic Work Experience” measures the employees’ feelings of motivation and competency relating to their roles in the workplace.

Engagement at FCA begins at the top with our board members. The chairman and other board members are present at almost all FCA events, including SEP events and FCA gatherings. In addition, by stressing the connection of employees' work to achieving agency goals and by promoting employee development, frontline supervisors are engaged with employees on a day-to-day basis, further supporting employees’ roles in the workplace.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables: **>** is greater than; **N/A** indicates either that the measure is not applicable or that FCA’s performance could not be measured; ▲ indicates we exceeded the FY 2023 target; ✓ indicates we achieved the FY 2023 target; ▼indicates we did not meet the FY 2023 target.

Metric ST1.4.b: On the 2023 Federal Employee Viewpoint Survey, the agency score was at least equal to the composite score for all small agencies on the statement "Employees are protected from health and safety hazards on the job." (Target: Yes)

Results: In 2023, 95% of FCA employees responded positively to this statement. By comparison, the small agency composite score was 82%.

Workplace health and safety is a top priority of FCA leadership. Not only was FCA a leader in health and safety during the pandemic, but FCA continues to show a strong commitment to employee health and safety in a post-pandemic work environment. We offer annual, optional, in-office influenza vaccine appointments and grant employees four hours of administrative leave for any COVID-19 vaccines recommended by the Centers for Disease Control and Prevention. Physical security and safety is also a top priority. We test our emergency notification system each quarter, and we recently redesigned our emergency evacuation plan to accommodate a hybrid work environment.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

Metric ST1.4.c: On the 2023 Federal Employee Viewpoint Survey, the agency score was at least equal to the composite score for all small agencies on the statement "My supervisor treats me with respect." (Target: Yes)

Results: In 2023, 96% of FCA employees responded positively to this statement. By comparison, the small agency composite score was 89%.

Our supervisors generally have very positive relationships with those who report to them, and the agency supports these relationships by providing regular training to help supervisors cultivate positive, productive relationships with the employees they supervise.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables: **>** is greater than; **N/A** indicates either that the measure is not applicable or that FCA's performance could not be measured; ▲ indicates we exceeded the FY 2023 target; ✓ indicates we achieved the FY 2023 target; ▼ indicates we did not meet the FY 2023 target.

Table 8d. Performance measures and results for stewardship objective 2

Note: Reporting period for metrics for stewardship objective 2 is Oct. 1, 2022, to Sept. 30, 2023.

Metric ST2.1.a: One aging technology platform was modernized annually. (Target: Yes)

Results: FCA exceeded the target by modernizing five applications. We improved the functionality, availability, and security of multiple tracking systems and payroll applications.

2023 Target	2023 Results	Results vs. target
Yes	Yes	▲

Metric ST2.1.b: Achieved and maintained not less than 95% vulnerability compliance for scanned assets that are within FCA's vulnerability management operating procedures. (Target: Yes)

Results: FCA recognizes how critical it is to address vulnerabilities in a timely manner to protect our resources. We exceeded the target for this metric by ensuring that 100% of covered assets were patched or under approved waiver as specified in our vulnerability management operating procedures.

2023 Target	2023 Results	Results vs. target
Yes	Yes	▲

Metric ST2.1.c: Conducted phishing tests in compliance with the frequency outlined in the Office of Information Technology's Phishing Tests Standard Operating Procedures. (Target: Yes)

Results: Successful phishing attempts continue to be a major contributor to security breaches. We conducted a minimum of one phishing scenario per month to promote awareness and defend against such attacks. As a follow-up, we provide tips or one-on-one education to users who fail the tests.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

Metric ST2.1.d: Ensured multifactor authentication of FCA end user accounts unless excepted. (Target: 100%)

Results: Multifactor authentication is critical to strengthening our cybersecurity defenses, which protect the confidentiality, integrity, and availability of FCA data and information. In FY 2023, we installed multifactor authentication on 100% of non-excepted end user accounts. We allowed few exceptions, and these were documented and approved.

2023 Target	2023 Results	Results vs. target
100%	100%	✓

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables: **>** is greater than; **N/A** indicates either that the measure is not applicable or that FCA's performance could not be measured; ▲ indicates we exceeded the FY 2023 target; ✓ indicates we achieved the FY 2023 target; ▼indicates we did not meet the FY 2023 target.

Metric ST2.2.a: Programming languages, analytical tools, and resources were accessible by staff. (Target: Yes)

Results: FCA increased the adoption of cloud technology and open-source programming languages.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

Metric ST2.2.b: Produced quantitative and qualitative deliverables that are responsive to agency needs. (Target: Yes)

Results: We continued progress on multiple FCA initiatives, including operational, safety and soundness, and mission components.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

Metric ST2.2.c: Provided qualitative and quantitative improvements to data inventories and metadata. (Target: Yes)

Results: FCA established and assigned leadership of the Data Governance Workgroup. We have defined priorities and developed a clear plan for additional enhancements and maturity assessment for 2024.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables: **>** is greater than; **N/A** indicates either that the measure is not applicable or that FCA's performance could not be measured; ▲ indicates we exceeded the FY 2023 target; ✓ indicates we achieved the FY 2023 target; ▼indicates we did not meet the FY 2023 target.

Table 8e. Performance measures and results for stewardship objective 3

Note: Reporting period for metrics for stewardship objective 3 is Oct. 1, 2022, to Sept. 30, 2023.

Metric ST3.1.a: Agency received an unmodified audit opinion from independent auditors. (Target: Yes)

Results: Financial statements provide information that is essential to evaluating our financial condition. An unmodified opinion reflects our efforts to ensure proper accounting controls and application of accounting standards. A clean opinion provides assurance that the public can rely on our financial statements and data. FY 2023 is the 30th consecutive year that we have received a clean audit opinion.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

Metric ST3.2.a: Assessments met the agency regulatory authority. (Target: Yes)

Results: In accordance with part 607 of FCA regulations, we issued assessment notices to System institutions, including Farmer Mac, before the Sept. 15 deadline. The assessed amounts were reasonable and sufficient to cover the agency's operational needs to carry out its mission as an arm's length regulator.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

Metric ST3.2.b: Agency maintained interest reserves between two months of operating expenses and less than 30% of agency budget. (Target: Yes)

Results: Section 5.15 of the Farm Credit Act of 1971, as amended, allows FCA to maintain a necessary interest reserve. The FCA board established guidelines for maintaining the reserve. These guidelines ensure that we can address specific, one-time, unforeseen events without increasing assessments at a time that may be financially difficult for System institutions. For FY 2023, we maintained the reserve within the levels of this metric.

2023 Target	2023 Results	Results vs. target
Yes	Yes	✓

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables: **>** is greater than; **N/A** indicates either that the measure is not applicable or that FCA's performance could not be measured; ▲ indicates we exceeded the FY 2023 target; ✓ indicates we achieved the FY 2023 target; ▼indicates we did not meet the FY 2023 target.

Financial Section

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

Statement of the Chief Financial Officer

November 14, 2023

I am honored to present the Farm Credit Administration's 2023 financial statements and the auditor's report on the financial position of the agency as of the fiscal year ended Sept. 30, 2023.

The audit was conducted by an independent public accounting firm contracted with the Office of Inspector General. Our agency received an unmodified audit opinion on our financial statements for the 30th consecutive year. The auditors concluded that FCA's financial statements are presented fairly, in all material respects, and in accordance with U.S. generally accepted accounting principles.

Our agency will continue enhancing financial and nonfinancial controls as required by the Federal Managers' Financial Integrity Act (FMFIA) and Office of Management and Budget Circular A-123 guidance. We have provided an unmodified statement of assurance that our internal controls and financial management systems meet the objectives of FMFIA and that those internal controls operated effectively with no identified material weaknesses.

Our leadership and staff remain committed to sound financial management practices while ensuring the ongoing safety and soundness of the Farm Credit System institutions.

As the arm's length regulator of the of the Farm Credit System, we are fully funded by the institutions we regulate. Our employees understand the importance of strong financial management and conduct FCA's operations with transparency and accountability. We operate effectively and efficiently while complying with statutory mandates and federal guidelines.

As always, we remain committed to providing strong financial management, effective internal controls, and meaningful budget and performance integration. And we continue to implement process efficiencies and organizational strategies that reduce costs while advancing the agency's priorities of promoting safety and soundness, innovation, diversity, and good governance.

I would like to thank FCA's leadership, the financial management team, and key staff across the agency for their diligence and dedication to public service. Our shared commitment to ensuring accountability and transparency in the execution of our fiduciary duties is the foundation of our strong stewardship and ability to deliver reliable financial information to our stakeholders.

Sincerely,

Sandra R Walters

Sandra R. Walters
Chief Financial Officer

Transmittal Letter of Auditor's Report

An accessible version of this letter is at https://www.fca.gov/template-fca/about/FCAOIGFinancialStatementAuditFY23.pdf.

FCA OIG
Farm Credit Administration
Office of Inspector General

November 14, 2023

The Honorable Vincent G. Logan, Board Chairman and Chief Executive Officer
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 Logan and Board Members Hall and Smith:

The Office of Inspector General contracted with the independent public accounting firm Harper, Rains, Knight & Company P.A. (HRK) to audit the financial statements of the Farm Credit Administration (FCA) as of and for the fiscal years ended September 30, 2023 and 2022, and to provide a report on internal control over financial reporting and compliance with laws and other matters. The contract required that the audit be performed in accordance with *Government Auditing Standards*, Office of Management and Budget audit guidance, and the United States (U.S.) Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency's *Financial Audit Manual*.

In its audit of FCA, HRK reported:

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

In connection with the contract, we reviewed HRK's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit of the financial statements, was not intended to enable us to express, and we do not express, opinions on FCA's financial statements or conclusions about the effectiveness of internal control over financial reporting, or on compliance with laws and other matters. HRK is responsible for the attached auditor's report dated November 13, 2023, and the conclusions expressed therein. However, our review disclosed no instances where HRK did not comply, in all material respects, with *Government Auditing Standards*.

Respectfully,

Sonya K Cerne

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

Enclosure

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

Independent Auditor's Report

An accessible version of this report is at https://www.fca.gov/template-fca/about/FCAOIGFinancialStatementAuditFY23.pdf.

Harper, Rains, Knight & Company

Independent Auditors' Report

The FCA Board and Inspector General
Farm Credit Administration

Report on the Audit of the Financial Statements

Opinion

In accordance with the Accountability of Tax Dollars Act, we have audited the financial statements of the Farm Credit Administration (FCA). FCA's financial statements comprise the balance sheets as of September 30, 2023, and 2022, and the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended, and the related notes to the financial statements.

In our opinion, FCA's financial statements present fairly, in all material respects, FCA's financial position as of September 30, 2023, and 2022, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States and Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-01 are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FCA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually, or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, GAGAS, and OMB Bulletin No. 24-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FCA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America issued by the Federal Accounting Standards Advisory Board (FASAB) require that the information in the Management's Discussion and Analysis be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB who considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with GAAS, which consisted of (1) inquiries of management about the methods of preparing the RSI and (2) comparing the information for consistency with management's responses to the auditors' inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit, and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming an opinion on FCA's financial statements. The information in the Statement of Board Chairman and CEO, Program Performance, and Other Information sections contain a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the Other Information. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

Report on Internal Control over Financial Reporting

In planning and performing our audit of FCA's financial statements as of and for the year ended September 30, 2023, in accordance with GAGAS, we considered FCA's internal control relevant to the financial statement audit as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FCA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of FCA's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

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

Our consideration of internal control over financial reporting was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies or to express an opinion on the effectiveness of FCA's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses. However, material weaknesses and significant deficiencies may exist that have not been identified.

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

Report on Internal Control over Financial Reporting (continued)

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

As part of obtaining reasonable assurance about whether FCA's financial statements are free from material misstatement, we performed tests of its compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosures in FCA's financial statements, and to perform certain other limited procedures, but not for the purposes of expressing an opinion on FCA's compliance with applicable laws, regulations, contracts, and grant agreements. Accordingly, we do not express such an opinion. We did not test compliance with all laws, regulations, contracts, and grant agreements applicable to FCA. FCA management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the entity.

Our tests of compliance with these selected provisions of applicable laws, regulations, and contracts, and grant agreements disclosed no instances of noncompliance for the year ended September 30, 2023, that would be reportable under GAGAS or OMB Bulletin No. 24-01. We caution that noncompliance may occur and not be detected by these tests.

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

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* is solely to describe the scope of our testing of internal control and compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on the effectiveness of FCA's internal control or compliance. These reports are an integral part of an audit performed in accordance with GAGAS and OMB Bulletin No. 24-01 in considering the entity's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

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

November 13, 2023
Washington, DC

Financial Statements

We have prepared the accompanying financial statements in accordance with U.S. generally accepted accounting principles and with the Office of Management and Budget Circular A-136, as amended. For comparison purposes, we present our financial statements and notes for FY 2023 and FY 2022. All amounts are in whole dollars. Our financial statements include the following:

- Balance sheets, which show our assets, our liabilities, and our net position (assets minus liabilities).
- Statements of net cost, which show our net cost of operations. We calculate our net costs by subtracting from our gross costs any revenue we earn. We break the statement of net cost into three program components: policy and regulation, safety and soundness, and other activity.
- Statements of changes in net position, which show the changes in our net position over the two-year period ending Sept. 30, 2023.
- Statements of budgetary resources, which show our resources, the status of our resources, and the outlay of resources during the fiscal year.
- Notes to the financial statements, which provide additional detail regarding the amounts in the financial statements.

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

Balance sheets

As of Sept. 30, 2023 and 2022
(In dollars)

Balance sheet categories	Description	2023	2022
Assets	**Intragovernmental**		
	Fund Balance with Treasury (note 2)	$4,562,164	$4,511,469
	Investments (note 3)		
	Federal investments	39,194,183	42,290,788
	Interest receivable — investments	172,103	168,610
	Accounts receivable (note 4)	3,866	13,365
	Advances and prepayments	18,137	0
	Total intragovernmental	**43,950,453**	**46,984,232**
	With the public		
	Accounts receivable (note 4)	5,656	21,404
	General property, equipment, and software, net (note 5)	1,756,341	1,105,520
	Prepaid expenses	180,047	292,494
	Total with the public	**1,942,044**	**1,419,418**
	Total assets	**$45,892,497**	**$48,403,650**
Liabilities	**Intragovernmental**		
	Accounts payable	$53,986	$130,091
	Other liabilities (note 7)		
	Other liabilities (without reciprocals)	237,226	207,279
	Liability to the General Fund of the U.S. government for custodial and other nonentity assets	2	0
	Benefit program contributions payable	851,906	760,286
	Total intragovernmental	**1,143,120**	**1,097,656**
	With the public		
	Accounts payable	792,451	1,270,426
	Actuarial workers' compensation liability (note 6)	1,503,796	1,561,692
	Employer contributions and payroll taxes payable	755,376	676,697
	Deferred revenue	8,913,413	9,474,827
	Accrued payroll and benefits	9,533,255	8,375,421
	Total with the public	**21,498,291**	**21,359,063**
	Total liabilities (note 6)	**$22,641,411**	**$22,456,719**
Net position	**Cumulative results of operations – funds from dedicated collections** (note 8)	**$23,251,086**	**$25,946,931**
	Total net position	**23,251,086**	**25,946,931**
	Total liabilities and net position	**$45,892,497**	**$48,403,650**

The accompanying notes are an integral part of these statements.

Statements of net cost

For the years ended Sept. 30, 2023 and 2022
(In dollars)

Agency programs	Program costs	2023	2022
Policy and regulation	Gross costs	$25,526,038	$22,481,168
	Less: Earned revenue	(22,806,014)	(21,725,126)
	Net program cost	$2,720,024	$756,042
Safety and soundness	Gross costs	$71,467,042	$63,424,321
	Less: Earned revenue	(63,628,856)	(61,234,830)
	Net program cost	$7,838,186	$2,189,491
Other activity	Gross costs	$722,653	$618,091
	Less: Earned revenue	(356,666)	(322,832)
	Net program cost	$365,987	$295,259
Net cost of operations (note 9 and note 14)		**$10,924,197**	**$3,240,792**

The accompanying notes are an integral part of these statements.

Statements of changes in net position

For the years ended Sept. 30, 2023 and 2022
(In dollars)

Description		2023	2022
Cumulative results of operations			
Beginning balances (includes funds from dedicated collections) (note 8)		$25,946,931	$22,673,172
Other financing sources (Non-exchange)	**Imputed financing sources**		
	Federal employee benefits (note 10)	4,578,352	2,864,551
	Rent (note 10)	3,650,000	3,650,000
	Total financing sources	8,228,352	6,514,551
Net cost of operations		(10,924,197)	(3,240,792)
Net change		(2,695,845)	3,273,759
Cumulative results of operations (includes funds from dedicated collections)		$23,251,086	$25,946,931
Net position		**$23,251,086**	**$25,946,931**

The accompanying notes are an integral part of these statements.

Statements of budgetary resources

For the years ended Sept. 30, 2023 and 2022
(In dollars)

Statement of budgetary resources categories	Line item description	2023	2022
Budgetary resources	Unobligated balance from prior year budget authority, net	$28,723,578	$23,283,704
	Spending authority from offsetting collections	86,333,055	86,775,766
	Total budgetary resources (note 12)	**$115,056,633**	**$110,059,470**
Status of budgetary resources	New obligations and upward adjustments (total)	$87,794,208	$81,335,892
	Unobligated balance, end of year		
	Exempt from apportionment, unexpired accounts	18,349,012	19,248,751
	Exempt from apportionment, not available	8,913,413	9,474,827
	Unobligated balance, end of year (total)	27,262,425	28,723,578
	Total budgetary resources (note 12)	**$115,056,633**	**$110,059,470**
Outlays, net	Outlays, net (total)	2,798,562	(6,862,733)
	Distributed offsetting receipts	(6,509)	0
	Agency outlays, net (note 14)	**$2,792,053**	**$(6,862,733)**

The accompanying notes are an integral part of these statements.

Notes to the financial statements

Note 1. Summary of significant accounting policies

A. **Reporting entity** — FCA is a component of the U.S. government. For this reason, some of our assets and liabilities may be eliminated for governmentwide reporting purposes because they are offset by assets and liabilities of another U.S. government entity. These financial statements should be read with the realization that they are for a component of the U.S. government. See the section titled FCA at a Glance on page 7 for details on the reporting entity.

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

C. **Budgetary terms** — The purpose of federal budgetary accounting is to control, monitor, and report on funds made available to federal agencies by law and help ensure compliance with the law. We use the following commonly used budgetary terms in this report:

- *Budgetary resources:* Amounts available to incur obligations each year. Budgetary resources consist of new budget authority for the current budget fiscal year and unobligated (available) balances of budget authority provided in previous years.
- *Obligations:* A binding agreement that will result in outlays (cash disbursements), immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.
- *Offsetting collections:* Payments to the agency that, by law, are credited directly to expenditure accounts. We are authorized to use these funds for the purposes of carrying out our mission without further action from Congress. These funds become our primary form of budget authority each year. Offsetting collections and unobligated balances from prior years account for our total budgetary resources.
- *Offsetting receipts:* Payments to the agency that are credited to offsetting General Fund receipt accounts and are not funds that we are authorized to use in our operations. We transfer these funds to Treasury at the end of each fiscal year.
- *Outlays:* A payment to liquidate an obligation, also known as a cash disbursement. Outlays are a measure of government spending.

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

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

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

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

   The Office of the Chief Financial Officer, in conjunction with the agency's accounting service provider, the Bureau of the Fiscal Service, reviews the agency's accounts receivable on a regular basis. We have determined that all accounts receivable as of Sept. 30, 2023, are fully collectible. See note 4.

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

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

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

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

K. **Funds from dedicated collections —** Funds from dedicated collections represent agency financing funded by specifically identified revenues, which remain available over time. These specifically identified revenues are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the government's general revenues. With our primary source of funding coming from the FCS assessments, and intended for the agency's operations by statute, our funds are all considered funds from dedicated collections. See note 8 for additional details.

L. **Inter-entity costs** — Goods and services are received from other entities at no cost or at a cost less than full cost to the providing entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by FCA are recognized as imputed cost on the statement of net cost and are offset by imputed revenue on the statement of changes in net position. FCA's inter-entity costs that are reported as imputed costs include federal employee benefits and rent. See note 10.

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

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

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

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

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

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

S. **New accounting standard** — In April 2018, the Federal Accounting Standards Advisory Board issued Statement of Federal Financial Accounting Standards 54: Leases. Among other things, this standard requires lessees to (1) recognize operating leases as lease assets and lease liabilities on the balance sheet and (2) disclose key information about significant leasing arrangements. This standard is effective for the FY 2024 financial statements. Since our rent is provided at no cost, we anticipate that this standard will not apply to FCA; however, we will continue to review this new accounting standard to determine its impact.

Note 2. Fund Balance with Treasury

Description	2023	2022
Status of Fund Balance with Treasury		
Unobligated balance		
Available	$18,349,013	$19,248,751
Unavailable	8,913,413	9,474,827
Obligated balance not yet disbursed	16,314,593	17,652,003
Subtotal — Status of fund balance	43,577,019	46,375,581
Funds invested with Treasury, net of unamortized discount	(39,014,855)	(41,864,112)
Total Fund Balance with Treasury	**$4,562,164**	**$4,511,469**

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

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

No discrepancies exist between the fund balance reflected in the balance sheet and the balances as reported by the Department of the Treasury.

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

Note 3. Investments

Amounts for 2023 balance sheet reporting

Intragovernmental securities	Cost	Amortized (premium) discount	Investments, net	Interest receivable	9/30/23 Investment balance	Market value disclosure
Nonmarketable: market-based	$39,423,056	$(228,873)	$39,194,183	$172,103	$39,366,286	$38,534,324

Amounts for 2022 balance sheet reporting

Intragovernmental securities	Cost	Amortized (premium) discount	Investments, net	Interest receivable	9/30/22 Investment balance	Market value disclosure
Nonmarketable: market-based	$42,985,786	$(694,998)	$42,290,788	$168,610	$42,459,398	$41,195,535

Premiums and discounts are amortized, and interest is accrued using the level-yield, scientific method of effective interest amortization over the term of the respective issues. Interest revenue on investments was $1,134,715 and $258,623 for FYs 2023 and 2022, respectively.

The Treasury securities we purchase are an asset to FCA and a liability to the U.S. Treasury. Because FCA and the U.S. Treasury are both part of the federal government, these assets and liabilities offset each other. For this reason, our Treasury securities represent neither an asset nor a liability in the U.S. governmentwide financial statements.

Treasury securities provide FCA with the authority to draw upon the U.S. Treasury, when redeemed to make future payments or other expenditures. The government finances the investment redemptions out of accumulated cash balances by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures.

Note 4. Accounts receivable

Description	2023	2022
Intragovernmental		
Reimbursements for services provided	$3,866	$13,365
Subtotal	3,866	13,365
With the public		
Reimbursements for services provided	4,818	6,560
Expenditure refunds	838	14,844
Subtotal	5,656	21,404
Total accounts receivable	**$9,522**	**$34,769**

The intragovernmental receivables represent reimbursable services provided to FCSIC but unbilled as of Sept. 30. Receivables for services provided to the public represent amounts not yet collected related to the cost of examining the National Consumer Cooperative Bank and employee receivables.

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

Note 5. General property, equipment, and software

As of Sept. 30, 2023

Type of asset	Estimated useful life	Depreciation method	Acquisition value	Accumulated/Amortized depreciation	Book value
Equipment	3 years	Straight line	$918,140	$(918,140)	$0
Equipment	5 years	Straight line	555,100	(408,071)	147,029
Equipment	10 years	Straight line	305,304	(259,032)	46,272
Internal use software	5 years	Straight line	2,321,728	(1,530,364)	791,364
Software in development			771,676	0	771,676
Total			**$4,871,948**	**$(3,115,607)**	**$1,756,341**

As of Sept. 30, 2022

Type of asset	Estimated useful life	Depreciation method	Acquisition value	Accumulated/Amortized depreciation	Book value
Equipment	3 years	Straight line	$918,140	$(765,117)	$153,023
Equipment	5 years	Straight line	498,328	(470,346)	27,982
Equipment	10 years	Straight line	305,304	(228,501)	76,803
Internal use software	5 years	Straight line	1,656,962	(1,331,382)	325,580
Software in development			522,132	0	522,132
Total			**$3,900,866**	**$(2,795,346)**	**$1,105,520**

We capitalize assets with a useful life of two years or longer when capitalization thresholds are met. Capitalization thresholds for property and equipment are $50,000 per individual asset and $500,000 for bulk purchase of equipment. Internal use software is capitalized when costs exceed $250,000.

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

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

The Department of Labor estimates future workers' compensation liability for specified entities that are preparing statements under the Chief Financial Officers Act and the Government Management Reform Act. Because we are not one of the entities for which the Department of Labor provides individual estimates on a routine basis, we calculated our estimated FECA actuarial liability amount by using the Department of Labor's FY 2023 model.

Liability description	2023	2022
Federal Employees' Compensation Act actuarial liability	$1,503,796	$1,561,692
Total liabilities not covered by budgetary resources	1,503,796	1,561,692
Total liabilities covered by budgetary resources	21,137,615	20,895,027
Total liabilities	**$22,641,411**	**$22,456,719**

Note 7. Other liabilities

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

Other liabilities	2023	2022
Intragovernmental		
Other liabilities (without reciprocals)	$237,226	$207,279
Liability to the General Fund of the U.S. government for custodial and other nonentity assets	2	0
Benefit program contributions payable	851,906	760,286
Total intragovernmental other liabilities	1,089,134	967,565
Total other liabilities	**$1,089,134**	**$967,565**

Note 8. Funds from dedicated collections

Our primary source of funding is the assessment collections from the Farm Credit System and Farmer Mac. By statute, collections of the assessments fund our agency operations and are not general revenues of the federal government. As such, we classify our funds as dedicated collections.

Description	Total funds from dedicated collections (consolidated) FY 2023	Total funds from dedicated collections (consolidated) FY 2022
Balance sheet		
Intragovernmental		
Fund Balance with Treasury	$4,562,164	$4,511,469
Investments, net	39,366,286	42,459,398
Accounts receivable, net	3,866	13,365
Advances and prepayments	18,137	0
Total intragovernmental assets	43,950,453	46,984,232
With the public		
Accounts receivable, net	5,656	21,404
General property, plant, and equipment, net	1,756,341	1,105,520
Advances and prepayments	180,047	292,494
Total assets with the public	1,942,044	1,419,418
Total assets	**$45,892,497**	**$48,403,650**
Intragovernmental		
Accounts payable	$53,986	$130,091
Other liabilities	1,089,134	967,565
Total intragovernmental liabilities	1,143,120	1,097,656
With the public		
Accounts payable	792,451	1,270,426
Federal employee benefits payable	2,259,172	2,238,389
Other liabilities	18,446,668	17,850,248
Total liabilities with the public	21,498,291	21,359,063
Total liabilities	**$22,641,411**	**$22,456,719**
Cumulative results of operations	23,251,086	25,946,931
Total liabilities and net position	**$45,892,497**	**$48,403,650**

Description	Total funds from dedicated collections (consolidated) FY 2023	Total funds from dedicated collections (consolidated) FY 2022
Statement of net cost		
Gross program costs	$97,715,732	$86,523,580
Less: earned revenues	(86,791,535)	(83,282,788)
Net program costs	10,924,197	3,240,792
Net cost of operations	**$10,924,197**	**$3,240,792**
Statement of changes in net position		
Cumulative results of operations		
Beginning balance	$25,946,931	$22,673,172
Imputed financing	8,228,352	6,514,551
Net cost of operations	(10,924,197)	(3,240,792)
Net change in cumulative results of operations	(2,695,845)	3,273,759
Cumulative results of operations: ending	23,251,086	25,946,931
Net position, end of period	**$23,251,086**	**$25,946,931**

Note 9. Suborganization program costs

The following tables provide a detailed breakout of the statement of net cost for each of the fiscal years ended 2023 and 2022. We display our cost and earned revenue amounts by office within each program.

For the year ended Sept. 30, 2023

Agency programs	Program costs	Office of Examination	Office of Regulatory Policy	Office of Secondary Market Oversight	Other offices	Total
Policy and regulation	Gross costs	$436,860	$6,533,187	$486,484	$18,069,507	$25,526,038
	Less: Earned revenue	(385,919)	(5,744,105)	(429,239)	(16,246,751)	(22,806,014)
	Net program cost	50,941	789,082	57,245	1,822,756	2,720,024
Safety and soundness	Gross costs	41,885,123	341,166	1,176,749	28,064,004	71,467,042
	Less: Earned revenue	(37,040,840)	(299,960)	(953,356)	(25,334,700)	(63,628,856)
	Net program cost	4,844,283	41,206	223,393	2,729,304	7,838,186
Other activity	Gross costs	136,740	0	4,985	580,928	722,653
	Less: Earned revenue	(67,488)	0	(2,460)	(286,718)	(356,666)
	Net program cost	69,252	0	2,525	294,210	365,987
Net cost of operations		**$4,964,476**	**$830,288**	**$283,163**	**$4,846,270**	**$10,924,197**

For the year ended Sept. 30, 2022

Agency programs	Program costs	Office of Examination	Office of Regulatory Policy	Office of Secondary Market Oversight	Other offices	Total
Policy and regulation	Gross costs	$449,925	$5,477,144	$567,923	$15,986,176	$22,481,168
	Less: Earned revenue	(432,265)	(5,262,164)	(461,661)	(15,569,036)	(21,725,126)
	Net program cost	17,660	214,980	106,262	417,140	756,042
Safety and soundness	Gross costs	36,733,098	260,836	1,421,398	25,008,989	63,424,321
	Less: Earned revenue	(35,351,385)	(250,150)	(1,100,066)	(24,533,229)	(61,234,830)
	Net program cost	1,381,713	10,686	321,332	475,760	2,189,491
Other activity	Gross costs	65,433	515	4,283	547,860	618,091
	Less: Earned revenue	(34,176)	(269)	(2,237)	(286,150)	(322,832)
	Net program cost	31,257	246	2,046	261,710	295,259
Net cost of operations		**$1,430,630**	**$225,912**	**$429,640**	**$1,154,610**	**$3,240,792**

Note 10. Inter-entity costs

Federal employee benefits

Benefit description	2023	2022
Imputed pension costs	$1,784,369	$393,705
Other imputed retirement benefits	2,793,983	2,470,846
Total	**$4,578,352**	**$2,864,551**

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

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

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

Rent

FCA office description	2023	2022
Leased field offices	$1,499,178	$1,465,193
FCA headquarters	2,150,822	2,184,807
Total	**$3,650,000**	**$3,650,000**

In accordance with the Farm Credit Act, we occupy buildings owned and leased by the Farm Credit System Building Association (FCSBA). Our administrative headquarters building and land are in McLean, Virginia. In addition, the FCSBA leases office space for field offices on our behalf at various locations throughout the United States. Rent is provided at no cost to us. Our imputed rent expense is an estimate based on the FCSBA's estimated budget for 2023. In accordance with SFFAS No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government, the rent expense and the associated imputed revenue are recorded as a nonmonetary transaction.

Note 11. Undelivered orders at the end of the period

As of Sept. 30, 2023, budgetary resources obligated for undelivered orders were as follows:

Type of undelivered orders	Federal	Nonfederal	Total
Paid undelivered orders	$18,137	$180,048	$198,185
Unpaid undelivered orders	169,568	4,324,826	4,494,394
Total undelivered orders	**$187,705**	**$4,504,874**	**$4,692,579**

As of Sept. 30, 2022, budgetary resources obligated for undelivered orders were as follows:

Type of undelivered orders	Federal	Nonfederal	Total
Paid undelivered orders	$0	$292,494	$292,494
Unpaid undelivered orders	183,035	6,604,930	6,787,965
Total undelivered orders	**$183,035**	**$6,897,424**	**$7,080,459**

Note 12. Explanation of differences between the Statement of Budgetary Resources and the budget of the U.S. government

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

There are no material differences between the amounts reported in the FY 2022 Statement of Budgetary Resources and the FY 2022 actual amounts reported in the FY 2024 Budget of the United States Government. The FY 2025 Budget of the United States is not yet available to compare the FY 2023 actual amounts to the FY 2023 Statement of Budgetary Resources. The budget is expected to be available in February 2024 at https://www.whitehouse.gov/omb/budget/.

Note 13. Incidental custodial collections

Our custodial collections include receipts to cover the costs of fulfilling Freedom of Information Act requests; they also include other receipts, such as interest and penalties. During the fiscal year, we include these collections in the Fund Balance with Treasury. However, since these collections are immaterial to the financial statements and incidental to our mission, we do not provide a Statement of Custodial Activity. Custodial collections totaled $6,583 for the year ended Sept. 30, 2023, and $16 for the year ended Sept. 30, 2022. The funds collected during FY 2023 were transferred to the Department of the Treasury at the end of FY 2023.

Note 14. Reconciliation of net cost to net outlays

This note explains the relationship between our net cash outlays on a budgetary basis and the net cost of operations during the reporting period. It is a reconciliation between budgetary and financial accounting information.

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

For the year ended Sept. 30, 2023

Reconciling items	Intragovernmental	With the public	Total
Net operating cost	**$25,177,320**	**$(14,253,123)**	**$10,924,197**
Components of net operating cost that are not part of budgetary outlays			
General property, equipment, and software depreciation expense	0	(419,713)	(419,713)
Increase/(decrease) in assets			
Accounts receivable	(9,499)	(15,748)	(25,247)
Other assets	18,137	(112,447)	(94,310)
Investments	(243,855)	0	(243,855)
(Increase)/decrease in liabilities not affecting budgetary outlays			
Accounts payable	76,105	477,975	554,080
Salaries and benefits	0	(20,783)	(20,783)
Other liabilities	(121,569)	(596,420)	(717,989)
Other financing sources			
Imputed federal employee retirement benefit costs	(4,578,352)	0	(4,578,352)
Imputed rent	(3,650,000)	0	(3,650,000)
Total components of net operating cost that are not part of budgetary outlays	**(8,509,033)**	**(687,136)**	**(9,196,169)**
Components of budgetary outlays that are not part of net operating cost			
Acquisition of capital assets	0	1,070,534	1,070,534
Total components of budgetary outlays that are not part of net operating cost	**0**	**1,070,534**	**1,070,534**
Miscellaneous items			
Distributed offsetting receipts	0	(6,509)	(6,509)
Net outlays (calculated total)	**$16,668,287**	**$(13,876,234)**	**$2,792,053**
Related amounts on the Statement of Budgetary Resources			
Outlays, net			**$2,792,053**

For the year ended Sept. 30, 2022

Reconciling items	Intragovernmental	With the public	Total
Net operating cost	**$22,693,967**	**$(19,453,175)**	**$3,240,792**
Components of net operating cost that are not part of budgetary outlays			
General property, equipment, and software depreciation expense	0	(644,354)	(644,354)
Increase/(decrease) in assets			
Accounts receivable	(31,340)	14,653	(16,687)
Other assets	0	24,572	24,572
Investments	(399,271)	0	(399,271)
(Increase)/decrease in liabilities not affecting budgetary outlays			
Accounts payable	19,163	(462,832)	(443,669)
Salaries and benefits	0	(48,136)	(48,136)
Other liabilities	(105,212)	(2,218,467)	(2,323,679)
Other financing sources			
Imputed federal employee retirement benefit costs	(2,864,551)	0	(2,864,551)
Imputed rent	(3,650,000)	0	(3,650,000)
Total components of net operating cost that are not part of budgetary outlays	**(7,031,211)**	**(3,334,564)**	**(10,365,775)**
Components of budgetary outlays that are not part of net operating cost			
Acquisition of capital assets	0	262,250	262,250
Total components of budgetary outlays that are not part of net operating cost	**0**	**262,250**	**262,250**
Net outlays (calculated total)	**$15,662,756**	**$(22,525,489)**	**$(6,862,733)**
Related amounts on the Statement of Budgetary Resources			
Outlays, net			**$(6,862,733)**

Other Information

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

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

Summary of Financial Statement Audit and Management Assurances

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

Table 9. Summary of financial statement audit

Audit opinion: Unmodified
Restatement: No

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

Table 10. Summary of management assurances

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

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

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

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

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

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

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

Payment Integrity Information Act Reporting

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

In accordance with legislative requirements and OMB guidance, we conduct risk assessments at least once every three years to identify programs that may have a significant risk of improper payments. We perform our assessments on contract payments, claims and vouchers, purchase cards, travel cards, and payroll. Based on our last risk assessment for the period ended Sept. 30, 2020, we determined that our programs and activities remain low risk and are not susceptible to significant improper payments. We will complete the next assessment in FY 2024 for the period ended Sept. 30, 2023.

Given the size of our agency and our low-risk status for improper payments, recovery audits are not cost-effective. The benefits of any recovered amounts would not exceed the cost of a recovery audit program. We work with our service provider to collect identified overpayments.

On Feb. 22, 2023, our inspector general published her annual report on whether FCA complied with reporting requirements for improper payments. The report concluded that we were in compliance, and there were no recommendations.

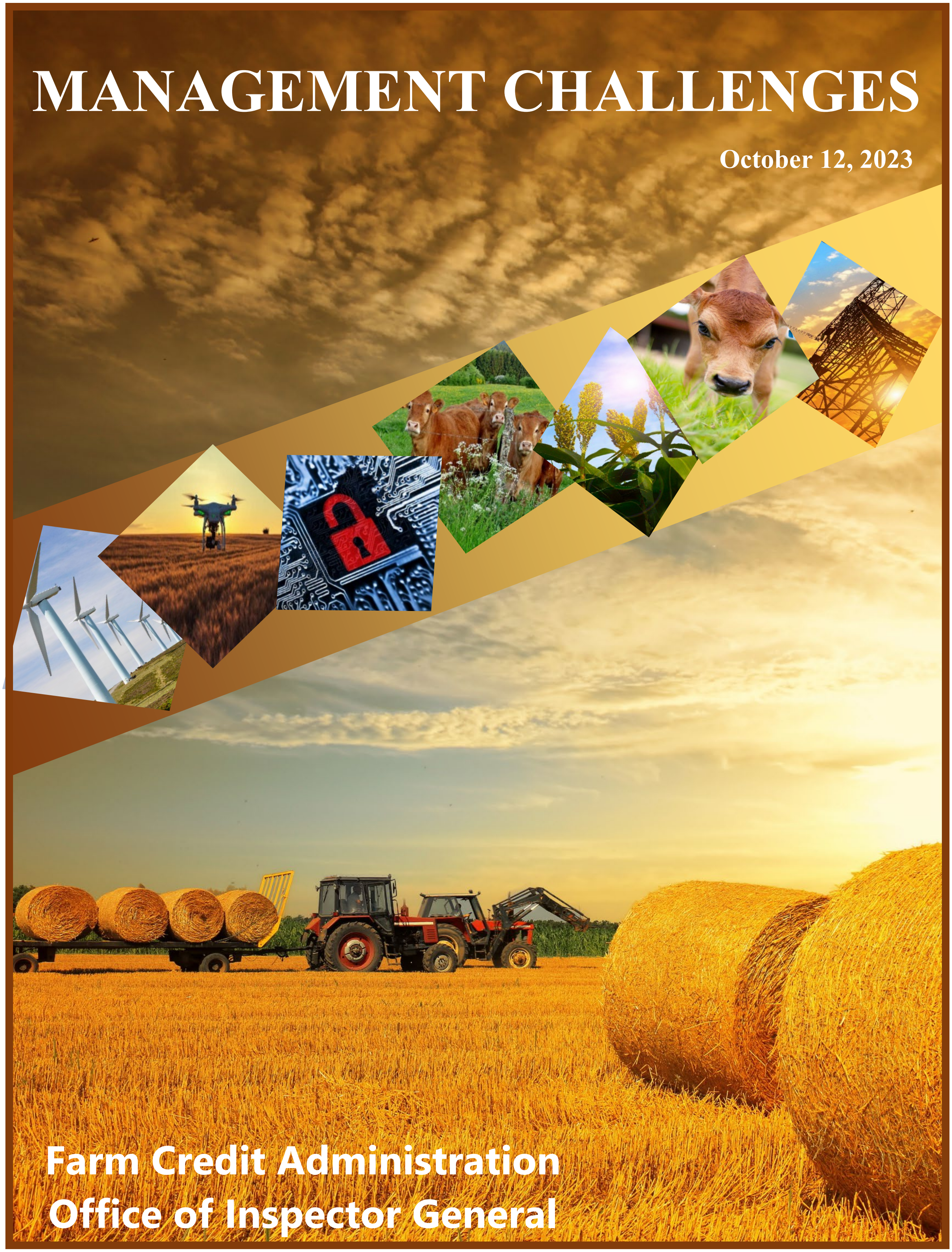
Additional information on improper payments in federal programs can be found on PaymentAccuracy.gov. We present only summary level information on this website because we do not have any individual programs with annual outlays greater than $10 million.

Civil Monetary Penalty Adjustment for Inflation

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

Table 11. Annual inflation adjustments of civil monetary penalties

Statutory authority	Reason for penalty	Year enacted	Latest year of adjustment (via statute or regulation)	Current penalty (dollar amount)	Location for penalty update details
Section 5.32(a) of the Farm Credit Act of 1971, as amended	Violation of a final order	1985	2023	$2,741	88 FR 2197-98
Section 5.32(a) of the Farm Credit Act of 1971, as amended	Violation of the act or regulation	1985	2023	$1,240	88 FR 2197-98
Section 102(f) of the Flood Disaster Protection Act of 1973	Pattern or practice of committing violations of the National Flood Insurance Program	1994	2023	$2,577	88 FR 2197-98

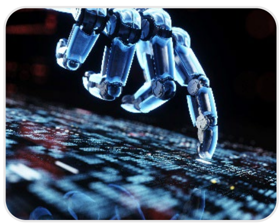


For an accessible version of the Management Challenges, please go to https://www.fca.gov/template-fca/about/ManagementChallenges2023.pdf.

MANAGEMENT CHALLENGES

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

Regulating and Supervising a Complex Farm Credit System



Innovation at FCA and the Farm Credit System

Agility in Adapting to a Fast-changing Information Technology World

Recruiting and Retaining a Talented and Diverse Workforce

CHALLENGE ONE: *Regulating and Supervising a Complex Farm Credit System*

Regulating and Supervising a Complex Farm Credit System

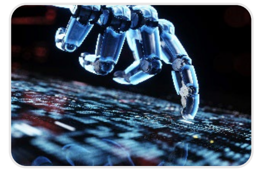
As the Farm Credit System (System) becomes more complex, FCA will continue to face challenges in addressing evolving risks, threats, and conditions. The System continues to be impacted by changes and uncertainties in interest rates, labor markets, the collective farm debt, cybersecurity threats, and climate. This varied and unpredictable environment impacts needs for examination and supervision resources. Further, technology, data analytics, fintech, and risk management systems and approaches in the System continue to become more sophisticated. FCA will be challenged to maintain forward-looking plans and ensure adequate staffing with specialized skills required to provide effective oversight.

Restructuring and consolidation of institutions also impacts complexity across the System. Continued merger activity creates both benefits and risks and FCA will be challenged to better understand these risks to foresee and address safety and soundness concerns. Risk management tools, specialized training, and institutional knowledge will also become increasingly important as the Agency is responsible for evaluating larger and more complex institutions. Effective supervision and oversight will require a nuanced understanding of the impact of changes in geographic diversification, risk concentration, and organizational structure of the System as a whole.

Diversity across System institutions and lending also impacts oversight needs and challenges. System institutions vary significantly in size, organization, structure, industries served, and geographic factors. The complexity of these factors is further increased by the unique issues that impact agricultural lending. Ensuring the System meets the credit needs of rural America, including underserved communities, is essential to the success and growth of the System. The Agency will be challenged to ensure the System is positioned to serve and support the increasingly diverse needs of agriculture while maintaining safety and soundness requirements. These complexities will also impact the development of effective policies, guidance, and standards. Designing risk-based oversight strategies and systems that keep pace with the diverse lending landscape will prevent adverse impacts.

Overall, changes across the System will place greater demands on Agency resources. Timely and thorough identification of corrective actions and appropriate follow-up are critical to preventing the escalation of issues and maintaining safety and soundness. The Agency also needs to be proactive to foresee and respond to challenging scenarios. The impact of internal and external factors can lead to significant changes in conditions in short periods of time that must be managed efficiently. The Agency will be challenged to find the appropriate resource balance and maintain a thorough and robust oversight plan while preparing for unique, difficult, and unexpected oversight scenarios. The Office of Examination's FY 2024 National Oversight Plan includes five focus areas: cybersecurity threats and a changing operational environment; capital markets loan growth and increased risk in large, shared assets and commodity segments; long-term financial stewardship; stress analysis in a period of heightened volatility and uncertainty; and standards of conduct.

CHALLENGE TWO: *Innovation at FCA and the Farm Credit System*



Innovation at FCA and the Farm Credit System

FCA faces significant regulatory and oversight challenges with the expansion of technology and innovation in financial products and services (financial technology). These challenges will require FCA to innovate its business practices to ensure the effective and efficient development of policy, examination practices, and oversight of the System.

The field of financial technology encompasses a broad range of products and services, which can be offered by System institutions directly or in partnership with financial technology companies. Examples of types of financial technologies include generative and predictive artificial intelligence, digital lending and credit, distributed ledger technology (including block chain), automated advisors, and regulatory technology (Regtech).

The Agency is challenged in ensuring that policy and examination staff have the necessary technological knowledge and expertise to provide effective and efficient regulation and oversight of System institutions. From the policy development perspective, in order to develop policies that regulate the use of financial technologies, it is important that staff be knowledgeable about the technology, how the System utilizes the technology, and the extent to which those practices are safe, sound, and consistent with leading practices. From an examination perspective, understanding the various financial technologies each System institution uses is paramount to conducting effective examinations of System institutions.

Introducing new and evolving technology could bring efficiencies to Agency processes through further automation; improving the prediction of risk, access and analysis of data; use of predictive analytical tools; and the facilitation of remote examinations. However, the identification of current skills and skill gaps, development of needed skills, and recruitment to fill gaps, all pose challenges to the Agency as innovative tools increase both internally and in the System.

The Agency has begun adopting innovative practices that increase the efficiency and effectiveness of its regulatory and oversight processes. In FY 2020, the FCA Board of Directors approved the creation of the Office of Data Analytics and Economics (ODAE), which includes a staff of 4 data scientists. ODAE has taken steps to implement the innovative use of technology by drafting an analytical policy outlining the usage and guardrails for implementing machine learning techniques and artificial intelligence. Additionally, in FY 2023, the Agency created an innovation working group to focus on using innovation to increase the efficiencies and effectiveness of its internal processes and its role as a safety and soundness regulator of the System.

CHALLENGE THREE: *Agility in Adapting to a Fast-changing Information Technology World*

FCA's information technology security program faces significant challenges in balancing a robust, strategic information security program with the need for timely, effective changes. Cybersecurity threats and vulnerabilities present significant challenges to information technology security. These challenges require a security program that is responsive, agile, and forward-looking.

Agility in Adapting to a Fast-changing Information Technology World

The Federal Information Security Modernization Act of 2014 requires an annual review to independently assess the effectiveness of FCA's information security program and practices using the metrics identified by the Department of Homeland Security. The audit also assesses progress toward achieving outcomes that strengthen federal cybersecurity, including implementing government-wide priorities and best practices. For Fiscal Year 2023, FCA received an overall rating of effective, but challenges remain to keep the information security program at an effective level. Two domains were rated at below an effective level: information security continuous monitoring and supply chain risk management. FCA remains behind on the implementation of certain requirements in meeting continuous monitoring standards. These requirements involve costly resources to ensure successful implementation.

Security events and breaches across the world highlight the prevalence of cybersecurity threats and risks and the importance of robust detection and prevention processes. The Cybersecurity and Infrastructure Security Agency stated the following in an overview of cyber threats: "By preventing attacks or mitigating the spread of an attack as quickly as possible, cyber threat actors lose their power. Any cyber-attack, no matter how small, is a threat to our national security and must be identified, managed, and shut down." The Agency will continue to be challenged on meeting all the requirements of an information technology security program as more and more requirements are added in order to maintain robust, safe systems.

FCA is challenged to implement needed processes while maintaining the ability to pivot and work quickly in certain scenarios to adapt to changing threats. As a small agency with limited resources, there are difficulties in balancing the resources needed for a properly controlled and secure environment with having an agile workforce that can make changes to internal processes, policies and procedures, and technologies in a responsive, efficient manner.

Overall, information technology and security requirements and guidance frequently change. It is imperative that FCA's systems are able to adapt and change as needed. FCA has new efforts and resource allocations planned that could enhance its ability to improve the everchanging information security program. Forward looking, the Agency needs to consider the baseline skills and abilities of staff and contractor resources to understand gaps needed to advance the program into a more agile, responsive model. However, implementation in these areas is not easy and will continue to challenge the Agency.

CHALLENGE FOUR: *Recruiting and Retaining a Talented and Diverse Workforce*

Recruiting and Retaining a Talented and Diverse Workforce

The Agency faces another significant management challenge in recruiting and retaining a talented and diverse workforce. An ever-present concern that is not unique to FCA, human capital management is imperative to fulfillment of the Agency's mission. FCA's success will depend greatly on its capacity to identify current and future staffing needs, taking into account the various disciplines and skillsets needed in its McLean, Virginia headquarters and field offices, and to meet those needs through recruitment and retention.

This task is complicated by a difficult labor market, where FCA must compete with private-sector employers and other Federal agencies for a limited pool of highly qualified workers, as well as inflationary pressures. Such circumstances will require nimble action on the Agency's part to ensure that it can offer compensation and benefits that are suitably competitive to attract candidates for employment. In this regard, FCA is well-served by its authority to maintain comparability with other financial regulatory agencies. The Agency's recruitment efforts will also benefit by educating potential employees on the importance of FCA's mission to the nation's vitality and security.

Training and development opportunities can also help ensure that FCA maintains a workforce that meets its needs. Programs such as job sharing, rotational details, intra-office assignments, and mentorships can promote career development as well as cultivate a sense that FCA is an employer rich with career opportunities.

Priorities across the government and in the private sector, diversity, equity, inclusion, and accessibility are critical aspects to the Agency's recruitment and retention efforts. The Agency must continuously assess and implement strategies, such as evaluating FCA's recruiting data, to meet its strategic goals and ensure its employees feel valued and included. The Agency will need to identify and reduce barriers that may exclude certain groups from full participation, while continuing to foster appreciation in its workforce with programs that celebrate and promote diversity, equity, inclusion, and accessibility.

Calendar year 2023 has seen FCA take a number of steps to grapple with this ever-present challenge. Of particular note, the FCA Board voted in January to reorganize the Agency's Office of Equal Employment Opportunity and Inclusion, including establishing the head of the office as an office director position and creating a position in the office specifically focused on outreach and employment. These changes sought to elevate the office's profile and reaffirm the Agency's commitment to advancing diversity, equity, inclusion, and accessibility. In May, the Board also approved a workforce benefits package that included a leave buyback program, an expanded student loan repayment program, and an enhanced childcare subsidy program. These incentives sought to maintain comparability with other federal bank regulatory agencies and better enable the Agency to recruit and retain employees.

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

Farm Credit Administration

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

November 14, 2023

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

Dear Ms. Laguarda:

Thank you for the management challenges report that you sent the Farm Credit Administration on Oct. 12. We appreciate your office's assessment and perspective of the management and performance challenges facing FCA. We remain committed to addressing these opportunities for continuous and strategic improvement as we deliver on our critical mission as regulator of the Farm Credit System, including Farmer Mac. In response to your analysis of the challenges facing FCA, I offer the following feedback.

Challenge 1: Regulating and supervising a complex Farm Credit System

As noted in the report, FCA acknowledges the growing complexity of the Farm Credit System (FCS or System). We continue to assess our capacities, resources, and skills to identify gaps and opportunities to strengthen our ability to regulate and supervise the FCS.

In FY 2023, we acted on many fronts to address the uncertainties and vulnerabilities of the current environment and the ever-increasing sophistication of System institutions. For example, we introduced new analytical tools and updated guidance on institutional stress testing based on principles developed by the Basel Committee on Banking Supervision. Additionally, FCA established a new chief risk officer position to work with agency leaders, the risk committee, and key staff to identify, assess, and mitigate risks that could jeopardize the fulfillment of the agency's mission.

On the human capital front, to help us meet the challenge of examining more complex institutions, we developed and implemented a strategy to hire midcareer technical experts with skills in critical areas such as financial technology; capital markets; and credit, liquidity, and market risk. We also continue to invest in training and professional development for our early career staff. Our regulatory and examination staff attend courses sponsored by the Federal Financial Institutions Examination Council, which is the interagency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions.

We are examining System institutions' implementation of our amended standards of conduct regulations, which became effective on Jan. 1 of this year. We provided System institutions with additional guidance on our expectations for their standards of conduct programs, and we're addressing standards of conduct as a focus area in our FY 2024 national oversight plan.

Lastly, over the course of this past year, which was my first as board chairman and CEO, I traveled across the country to meet with banks, associations, and external stakeholders. This gave me the opportunity to build relationships, learn about challenges, and better understand how the System is responding to the increasing complexity of the agricultural lending landscape. Collectively, our efforts will continue to strengthen FCA's ability to respond to challenges proactively and appropriately.

Challenge 2: Innovation at FCA and the Farm Credit System

In February 2023, I announced four of my priorities as chairman and CEO:

- Keeping FCA a Best Place to Work
- Diversity, Equity, and Inclusion
- Good Governance/Safety and Soundness
- Innovation

FCA recognizes that it is critical to understand the changing technological landscape across sectors, including agriculture and finance. We know that our understanding must anticipate the velocity of change and plan for the implications of those changes, including new and emerging products, services, and strategies. It is also clear that we must balance increased innovation with a sophisticated risk strategy that incorporates measures to protect against the operational and cybersecurity risks that innovation can introduce.

We will continue to build on previous efforts to modernize and innovate so that we can build and maintain an organizational culture that embraces innovation within the bounds of safety and soundness. In support of these efforts, we have launched an FCA work group to identify opportunities for internal and external innovation. Over the coming year, staff will focus on developing agencywide guidance and initiatives on innovation, with emphasis on artificial intelligence and machine learning. In 2024, FCA will also implement the Paycheck8 system, modernizing our decades-old timekeeping and payroll system.

Additionally, the board recently approved a final rule on cyber risk management designed to enhance System security while spurring innovation. The rule is principles-based rather than prescriptive, giving institutions both the guidelines and the flexibility they need to innovate.

Challenge 3: Agility in adapting to a fast-changing information technology world

Over the past few years, our IT security program has repeatedly earned effective ratings from the IG during the annual Federal Information Security Modernization Act reviews. Recently, we improved and matured the program by increasing awareness, instilling better cyber hygiene practices, and implementing additional technical controls.

However, we recognize that cybersecurity threats and technology-driven risks remain a perennial challenge facing the private and public sectors. Just as the agricultural and Farm Credit System landscapes are becoming more complex, the tools available to mitigate associated risks are becoming more sophisticated. Therefore, we continue to invest in resources to monitor and mitigate risk. We make decisions on the basis of risk so that we can deploy our resources effectively and efficiently.

Over the past year, we implemented the mandated Cybersecurity and Infrastructure Security Agency's Continuous Diagnostic and Mitigation Program, strengthened our multifactor authentication methods, and made several other security enhancements. Going forward, we will explore alternatives for enhancing our monitoring capabilities, maximizing our existing resources, and researching and investing in the necessary tools to facilitate timely changes in policies and procedures.

We fully recognize the need to harness IT resources to further the mission of the agency. Strong collaboration and coordination between the Office of Information Technology and other FCA offices, particularly the Office of Data Analytics and Economics and the Office of Examination, will allow us to balance the need for updated technologies with protecting agency information. We must all work together to learn new tools and match technology solutions to our business needs.

Challenge 4: Recruiting and retaining a talented and diverse workforce

Consistently ranked by the Partnership for Public Service as one of the best places to work in the federal government (and ranked number 1 in 2022 for diversity among small agencies), we have worked diligently to understand what our employees need and expect from the agency. As a result, we have been able to prioritize those actions that are most meaningful — actions that foster an inclusive environment where our employees can thrive.

For example, the board elevated our Office of Equal Employment Opportunity and Inclusion to a level equal to that of other offices and created a position specifically focused on outreach and employment. These changes reaffirmed the agency's commitment to advancing diversity, equity, inclusion, and accessibility.

In late FY 2022, the board tasked the agency's chief human capital officer with launching a recruiting and retention work group. Over six months, the work group provided feedback and ideas for addressing workplace satisfaction concerns, including compensation — one of the lowest-ranked areas for us on the Federal Employee Viewpoint Survey (FEVS). As a result of input from this work group, the FCA board approved a strategy to enhance pay satisfaction. The strategy included off-cycle pay increases, which resulted in a 7-percentage-point increase in pay satisfaction on the 2023 FEVS. The board also approved other initiatives, including a leave buyback program and expanded childcare and student loan repayment programs.

We continued our investment in professional development by making an e-learning platform accessible to all FCA employees. During the first nine months of agencywide access, our employees accessed content on the platform nearly 2,200 times, and the average number of hours that employees engaged in discretionary training increased from 22 in 2022 to 180 in 2023.

We also focused on staying competitive in our recruiting, and increasing the diversity of our applicant pool. We recruited from more than 30 colleges and universities, including minority-serving institutions such as historically Black colleges and universities, Hispanic-serving institutions, and Native American-serving nontribal institutions.

We further support diversity by sponsoring employee-led special emphasis programs, where diverse perspectives and backgrounds are celebrated and encouraged through regular meetings and special events. Examples of initiatives to foster a culture of inclusion and respect included sponsoring a mentoring series, holding educational special observances, ensuring the agency has accessible bathrooms, and offering more discretionary trainings.

These actions contributed to a 4-percentage-point increase in accessibility and a 2-percentage-point increase in inclusion on the 2023 FEVS. We will continue to leverage FEVS data and employee feedback to align our strategic workforce initiatives with the needs and expectations of our employees.

Concluding thoughts

FCA does indeed face many challenges, but we have developed, and continue to develop, carefully thought-out strategies to address those challenges. We're excited about the future, and we look forward to strengthening our performance as regulator of the Farm Credit System.

Again, thank you for your valuable insight on the challenges we're facing as an agency. I am proud of the work the FCA team continues to do and the leadership across all offices to ensure we continue to meet our mission. We look forward to working with you and your staff in the coming year.

Sincerely,

Vincent G. Logan
Board Chairman and CEO

Additional Information

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

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

We would like to hear from you! What did you think of our FY 2023 Performance and Accountability Report? Did we present information in a way you could use? How can we improve our report in the future? Any feedback you have time to provide would be most appreciated. Please email your comments to info-line@fca.gov.

Or send written comments to the following address:

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

Thank you!

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

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

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

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

Copies available from

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

703-883-4056
www.fca.gov

1123/ 75