

OFFICE OF
INSPECTOR GENERAL

Inspection Report

Farm Credit Administration's
Process in Developing and
Updating Policies and Procedures
I-16-01

Inspector
Ava Bell

Issued March 31, 2016



FARM CREDIT ADMINISTRATION

Farm Credit Administration

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



March 31, 2016

The Honorable Kenneth A. Spearman, Board Chairman
The Honorable Dallas P. Tonsager, Board Member
The Honorable Jeffery S. Hall, Board Member
Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102-5090

Dear Board Chairman Spearman and FCA Board Members Tonsager and Hall:

The Office of Inspector General (OIG) completed an inspection of the Farm Credit Administration's (FCA or Agency) Process in Developing and Updating Agency Policies and Procedures (PPMs). The objective of this inspection was to determine the effectiveness and efficiency of FCA's process in developing and updating PPMs.

We found the Agency is generally consistent in preparing and formatting new PPMs and routing for approvals. The Agency also consistently posts and communicates new and modified PPMs.

We identified opportunities to improve the PPM processes. The Agency agreed to the following actions:

1. Publish procedures for developing, updating, formatting, approving and communicating PPMs.
2. Periodically review PPMs to certify whether policies and procedures are current, need updating, or should be rescinded.
3. Consider automating the review and approvals process.

We appreciate the courtesies and professionalism extended by FCA personnel to the OIG staff. If you have any questions about this inspection, I would be pleased to meet with you at your convenience.

Respectfully,

A handwritten signature in black ink that reads 'Elizabeth M. Dean'. The signature is written in a cursive style.

Elizabeth M. Dean
Inspector General

Enclosure



EXECUTIVE SUMMARY

I-16-01

RESULTS:

The Agency uses a consistent process for developing new or updating existing policies and procedures (PPMs). The Agency also generally communicates new and updated information about PPMs to its employees.

We identified opportunities for improvement in the following areas:

- The processes for developing and updating policies and procedures are not formalized in a written document. Such a document might include: responsibilities associated with developing and updating PPMs; oversight of the PPM library; methods for approvals; and guidance on content.
- Many PPMs have older publication dates and contain outdated information about Agency policies and programs.
- The process to determine when a new, updated or rescinded PPM should be communicated to employees is not documented.

Inspection of Farm Credit Administration's Process in Developing and Updating Agency Policies and Procedures

The Farm Credit Administration (FCA or Agency) maintains an online library of Agency policies and procedures (PPMs). The PPM library serves as a central repository for PPMs and is a valued resource to FCA employees for information on Agency programs.

The inspection objective was to determine the effectiveness and efficiency of FCA's process in developing and updating Agency policies and procedures.

We found the Agency is generally consistent in the following processes:

- Preparing and formatting new PPMs;
- Routing PPMs for approvals;
- Posting new PPMs or modifications; and
- Communicating PPM information to employees.

We identified opportunities to improve the PPM processes and the Agency agreed to take the following actions.

1. Publish procedures for developing, updating, formatting, approving and communicating PPMs.
2. Periodically review PPMs to certify whether policies and procedures are current, need updating, or should be rescinded.
3. Consider automating the review and approvals process.

The Agency agreed to complete specific tasks to improve the PPM process. These tasks include creating a PPM to document the PPM process, and documenting how and when PPMs are reviewed. The Agency stated it will also consider automating the review and approvals process.

TABLE OF CONTENTS

BACKGROUND	1
Prior Review	1
INSPECTION RESULTS	2
Developing or Updating a PPM	2
Basic PPM Process	2
Routing and Approvals	2
Routing Process	3
SharePoint Access	3
PPM Template Elements	3
Outdated Policies and Procedures	4
Communication	6
Agreed-Upon Actions	6
OBJECTIVE, SCOPE, AND METHODOLOGY	7
ACRONYMS	8

BACKGROUND

The Farm Credit Administration (FCA or Agency) is an independent federal agency responsible for regulating, examining, and supervising the Farm Credit System and the Federal Agricultural Mortgage Corporation. The core mission of the Agency is to ensure a safe, sound, and dependable source of credit and related services for agriculture and rural America.

FCA maintains a library of Agency policies and procedures (PPMs) to ensure processes are documented and communicated to employees. The online library of PPMs is housed in the Policies and Procedures site in SharePoint. All FCA employees have read-only access to the library.

Since 2012, when the PPMs were moved to SharePoint, a former document providing guidance to all staff on the responsibilities for use and oversight of the PPMs, was not transferred to the SharePoint library.

The Standards for Internal Control in the Federal Government, also known as the “Green Book,” state that management should implement control activities through policies and the following attributes¹ contribute to the effective design, implementation, and operation of internal controls:

- Documentation of responsibilities through policies,
- Periodic review of control activities, and
- Communication throughout the entity with appropriate methods of communication.

Prior Review

Although not exactly on point, the Office of Inspector General conducted an inspection of the FCA Board Policy Statements (I-03-05) to determine if they were consistent with sound business practices in terms of relevancy, timeliness, coverage, and key elements. The inspection found the Agency did not have an established methodology for developing Policy Statements and there was inconsistency in subjects covered and level of detail provided. Additionally, several statements were outdated and documented practices and operations no longer in existence, or missing key elements for sound policy. The inspection resulted in three recommendations, with all action items closed in 2005. The recommendations related to: 1) establishing a methodology for the policies, including distinguishing between FCA operations policy and philosophy statements as guidance for the Farm Credit System; 2) regular review of the policies and updating when appropriate; and 3) a content review of the policies to ensure oversight of critical FCA operations.

¹ Based on Principle 12, Implement Control Activities, and Principle 14, Communicate Internally, Standards for Internal Control in the Federal Government (Green Book).

INSPECTION RESULTS

The objective of this inspection was to determine the effectiveness and efficiency of FCA's process in developing and updating Agency policies and procedures. The Agency is generally consistent in its process for initiating a new PPM or updating an existing PPM. However, this process is not formally documented in a format that is readily accessible and communicated to FCA staff. We identified opportunities to improve the PPM processes as described in the following sections.

Developing or Updating a PPM

The Agency has a process for developing and updating FCA's policies and procedures in practice, but the process is not available to personnel and stakeholders in a written document. A new PPM may be developed for a variety of reasons: Executive Order or Presidential Memorandum, Office of Management and Budget or Office of Personnel Management requirement, Congressional request or mandate, Office of General Counsel requirement or suggestion, staff suggestion, or result of an audit finding.

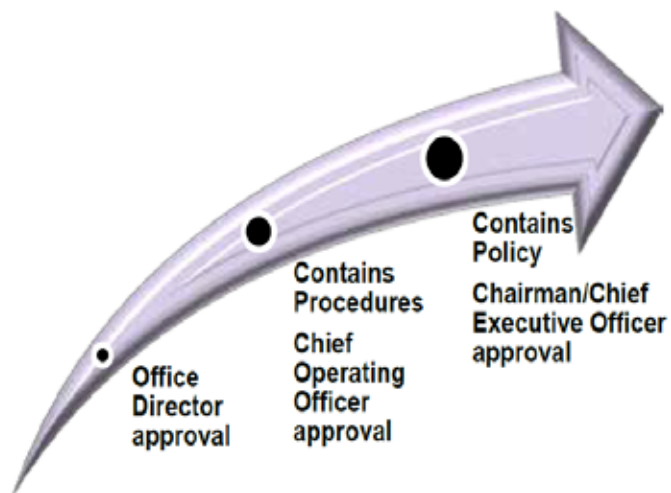
When the PPMs were housed in Lotus Notes, an "About Document" provided guidance on definitions, responsibilities and various procedures relating to preparation, formatting, approvals, classification, publication and distribution of PPMs. The About Document was not transferred to SharePoint with the PPMs; therefore, this written guidance is not readily available to employees. Documenting the Agency's PPM process in a format that is accessible to all employees will ensure the procedures are consistently and efficiently followed, and the required approvals are obtained.

Basic PPM Process

The Agency's general process for initiating a new PPM or updating an existing PPM consists of: drafting and finalizing a new or updated PPM; routing the PPM for approvals; loading the approved PPM into SharePoint; and notifying employees of the change through *FCA Today* or other means of communication. Documenting this process will provide a resource for staff to follow when initiating a new PPM or updating an existing PPM.

Routing and Approvals

The Agency's routing of PPMs for approval generally includes approval by the: Office of General Counsel (OGC), Chief Operating Officer (COO), Executive Assistant to the Chairman, and Chairman. If the PPM is specific to an office, it is also approved by that Office Director. By practice, if the PPM contains procedures, it is approved by the COO; if the PPM contains a policy, it is approved by the Chairman. OGC approval is sometimes requested and sometimes required. Documenting the routing process and defining when approvals are required, and by which offices, will ensure appropriate approvals are obtained.



Routing Process

To obtain the various approvals, the Agency uses a paper routing sheet to submit a new or updated PPM. This sheet lists the names of those to approve and dates when the PPM package is received and action taken by each staff member. Based on our review of the PPM files, a new or updated PPM generally takes one to two weeks for final review and approvals. File documentation showed that occasionally a routing sheet was not used. We also found inconsistency in the documentation of the PPM routing packages. Only a few packages included background documentation explaining what gave rise to developing or updating the PPM, such as an Executive Order or change in regulations.

Automating the review and approvals process will ensure a consistent routing mechanism is used. It would also provide a central storage location for background documentation, as well as a cumulative review of edits and comments.

SharePoint Access

All employees have read-only access to the SharePoint PPM library. The Agency limits contributor access to the SharePoint PPM library to two employees (in addition to the Office of Information Technology's SharePoint administrators). This provides reasonable controls for access to the Agency Policies and Procedures site.

PPM Template Elements

The Agency was consistent with the formatting of the two new PPMs we reviewed that were developed in Fiscal Years (FY) 2014 and 2015. These two PPMs both include the following elements in their respective policy and procedures sections.

Policy section includes:

- Policy
- References
- Delegations
- Reporting

Procedures section includes (in addition to sections specific to each PPM):

- Implementing Procedures
- General Agency Guidance
- Definitions
- Accountability

Defining required section elements through use of formal templates will continue to ensure consistency in the formatting of new or updated PPMs.

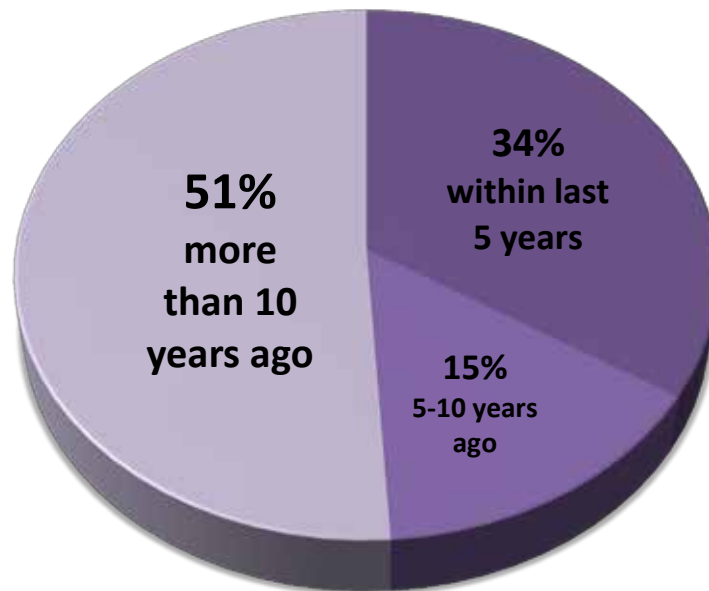
Outdated Policies and Procedures

Our inspection included a review of the SharePoint library of PPMs to determine how current they are. It appears many PPMs have not been updated for a number of years. Of the 92 PPMs the Agency has published in SharePoint as of January 20, 2016, we found:

No. of PPMs	<i>with a publication date...</i>
31	January 1, 2011 to January 20, 2016
14	January 1, 2006 to December 31, 2010
47	prior to January 1, 2006

We found no documentation in the records we inspected that indicated whether the PPMs had been reviewed since their publication date in SharePoint.

Latest PPM Publication Date



We also reviewed PPM titles, publication dates and limited content. We noted several PPMs with outdated information or potentially obsolete information. The chart below identifies information in these PPMs that needs further review.

PPMs with Information in Need of Review

PPM No.	PPM Title	Publication Date	Issuing Unit	Information in Need of Review
861	Domestic Partner Health Insurance Subsidy Program	3/5/2015	OMS	Update for Supreme Court ruling
804	FCA Compensation Program	1/17/2014	OMS	Compensation 2016
821	Hours of Duty and Alternative Work Schedule Program	9/13/2006	OMS	PPM states: OMS reviews and revises or modifies these implementing procedures at least every 2 years
700	Telephone System	9/10/2003	OMS	Update for iPhones, iPads—PPM refers to Blackberries
707	Telephone Credit Cards	8/5/2003	OMS	Obsolete
853	Supervisory Development Program	6/19/2003	OMS	Date missing
900	IRM Planning	3/14/2003	OMS	Signature and date missing
833	Health Benefits	3/7/2003	OMS	Update Agency contribution; Update for Supreme Court ruling; Update for dependent children coverage to age 26
832	Group Life Insurance	3/7/2003	OMS	Update for Supreme Court ruling
829	AIDS	3/7/2003	OMS	Consider rescinding or broaden to cover other diseases
851	Property Management Program	11/8/2002	OMS	Update for electronic certification forms; Refers to obsolete Board Policy Statement 69
840	Role and Responsibility of the Contracting Officer's Technical Representative	9/30/2002	OMS	Signature and date missing
852	Student Loan Program	9/4/2002	OMS	Update for new student loan program
1006	Audit Follow-up Policies and Procedures	6/28/2002	OCEO	PPM states: This directive will expire on June 30, 2005 unless reissued by the CEO.
823	Voluntary Leave Bank Program	1/28/2002	OMS	Update publication date—signed 10/28/2010
901	Publications Group	11/15/1999	OMS	Obsolete
805	Mail Procedures	8/19/1998	OMS	Outdated procedures
800	Farm Credit Administration Organization	6/30/1998	OMS	Organization chart dated Sept 2011
806	Procedures for Acquiring FCA Stock Items	6/30/1998	OMS	Outdated procedures
811	Upward Mobility Program	10/9/1990	OMS	PPM states: This PPM is being reviewed for possible revisions. (10/15/98)

Additionally, there are 37 PPMs that reference one (or more) other PPMs. At least 17 of these PPMs reference obsolete or outdated PPMs. If PPMs are not kept current, employees may have inaccurate information on Agency programs and follow outdated procedures.

The Agency does not have a schedule to periodically review current PPMs and certify the status of each PPM as: current, needs revising, or should be rescinded. Periodic review of the PPMs will ensure management and employees have access to current operational policies and procedures.

Communication

The Agency generally communicates new PPMs or modifications to PPMs to employees through *FCA Today* (a collection of articles emailed to all employees on a daily basis) in a timely manner. During FY 2013 through 2015, we found most new PPM information was communicated through *FCA Today* to all employees or alternatively, through other means directed to the specific stakeholders (e.g., to office directors). However, we found no written guidance describing the Agency's communication process for new PPM content.

Because the Agency does not have a documented process for determining when a new, updated or rescinded PPM should be communicated to employees, responsibility for deciding when and how to communicate updates to PPMs lies with the PPM author. Formalizing guidance on publishing new or updated PPM information will ensure employees are notified of new or modified PPMs.

Agreed-Upon Actions

1. Publish procedures for developing, updating, formatting, approving and communicating PPMs.
2. Periodically review PPMs to certify whether policies and procedures are current, need updating, or should be rescinded.
3. Consider automating the review and approvals process.

The Office of Management Services agreed to complete the following specific tasks to improve the PPM process:

1. Create an Agency PPM that documents the PPM process, including developing, updating, formatting, approving and communicating PPMs.
2. Provide written documentation demonstrating when and how PPMs are reviewed.
3. Provide written documentation demonstrating that automating the PPM process was considered.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of the inspection was to determine the effectiveness and efficiency of FCA's process in developing and updating Agency policies and procedures. We conducted fieldwork at FCA's headquarters in McLean, Virginia from December 2015 to March 2016. We limited our scope to FY 2013 through 2015.

We completed the following steps to accomplish the inspection objective:

- Reviewed applicable laws and regulations relating to the inspection objective, including Standards for Internal Control in the Federal Government (Green Book);
- Considered prior reviews related to the inspection objective;
- Reviewed current Agency policies and procedures (PPMs);
- Conducted interviews with key personnel involved in the PPM process;
- Obtained background information on policymaking procedures;
- Identified internal controls over the PPM process;
- Reviewed the processes for developing, updating and communicating PPMs, including required approvals and controls; and
- Analyzed relevancy, timeliness and coverage of subject matter.

This inspection was performed in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation. Those standards require that we plan and perform the inspection to obtain sufficient, competent and relevant evidence that supports a reasonable basis for our findings, conclusions and recommendations. We assessed internal controls and compliance with laws and regulations to the extent necessary to satisfy the objective. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our inspection. We assessed the information and data collected during the inspection and determined it was sufficiently reliable and valid for use in meeting the inspection objectives. We assessed the risk of fraud related to our inspection objective in the course of evaluating evidence. Overall, we believe the evidence obtained is sufficient to provide a reasonable basis for our findings and conclusions based on the inspection objective.

ACRONYMS

COO	Chief Operating Officer
FCA	Farm Credit Administration
FY	Fiscal Year
OGC	Office of General Counsel
OMS	Office of Management Services
PPM	Policies and Procedures

R E P O R T

Fraud | Waste | Abuse | Mismanagement



FARM CREDIT ADMINISTRATION

OFFICE OF INSPECTOR GENERAL

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

Fax: (703) 883-4059

E-mail: fca-ig-hotline@rcn.com

Mail: Farm Credit Administration
Office of Inspector General
1501 Farm Credit Drive
McLean, VA 22102-5090