PRESIDENTIAL/FCA BOARD TRANSITION GUIDANCE

FARM CREDIT ADMINISTRATION

OFFICE OF INSPECTOR GENERAL

➢ INTRODUCTION

In an effort to assist newly appointed Board members and presidential transition staff in navigating the transition process, the Farm Credit Administration (FCA) Office of Inspector General (OIG) provides the following summary of the IG mission, statutory authorities, reporting responsibilities, and organization.

➢ THE FCA OIG AND THE FARM CREDIT SYSTEM

The FCA OIG is an independent unit within the FCA. The FCA is an independent U.S. Federal agency that regulates and examines the Farm Credit System, a Government-sponsored enterprise comprised of Farm Credit Banks, an Agricultural Credit Bank, and 74 associations serving all 50 states and Puerto Rico. These Farm Credit System institutions primarily make loans to agriculture. The Federal Agricultural Mortgage Corporation (Farmer Mac), is part of the Farm Credit System, and provides a secondary market for agricultural mortgage loans.

The FCA does not receive appropriated funds, but is funded through assessments to the Farm Credit System institutions it regulates. FCA's Fiscal Year 2016 budget was $66,200,000, and the Agency has 298 employees, about half of which are examiners located in five field offices around the United States.

➢ THE FCA OFFICE OF INSPECTOR GENERAL

As noted above, the FCA OIG is an independent agency within the FCA that was created under the 1988 amendments to the Inspector General Act of 1978 (IG Act), 5 U.S.C. App. 3, 1-13. The IG Act created Offices of Inspector General (OIGs) as independent and objective units within their agencies in order to conduct activities to promote economy, efficiency, and effectiveness of their agencies' programs and operations and to prevent and detect fraud and abuse in such programs and operations. The original Inspectors General (IGs) were established in 12 Federal agencies, and with subsequent amendments, including the 1988 amendments creating the FCA OIG, there are now 72 statutory IGs across the Federal government.[1]

The FCA OIG's mission is to be an agency of positive change within the Agency, striving for continual improvement in FCA programs and operations. It conducts its mission through four major components:

- Audits[2], Inspections[3], and Evaluations
- Investigations[4]
- Legislative and Regulatory Reviews
- Outreach

FCA OIG office personnel currently include the Inspector General, Deputy Inspector General/Counsel, Senior Auditors, and a Management Analyst, and its FY 2016 budget was $1,493,393.

1 A historical chronology on the IGs is available on IGNET at https://www.ignet.gov/content/ig-act-history.

2 An OIG audit is an independent, formal, and methodical examination of an organization, program, function, or activity. A report is issued documenting the objectives, scope, findings, conclusions, recommendations and/or agreed upon actions resulting from the objective assessment of the program function or activity.

3 An OIG inspection is a review of a more limited scope than an audit, although the reporting mechanism is similar, documenting objectives, scope, findings, etc.

4 Investigations focus on violations of law or misconduct by FCA employees and contractors, as well as on allegations of irregularities or abuse in FCA programs and operations.

The FCA OIG also has eight strategic goals in place that are aligned to FCA's mission, programs, and activities, as follows:

- Deliver quality audit, inspection, and evaluation products and services that are useful to the FCA Board, management, and the Congress.

- Provide technical advice and assistance to Agency officials in developing sound management information and financial reporting systems and in streamlining programs and operations.

- Continuous improvement of the OIG staff, products, and internal office administration. Quality is highly valued.

- Effectively investigate and report administrative and criminal violations relating to FCA programs and personnel to Agency officials, the Attorney General (when appropriate), and the Congress.

- Cause FCA employees and managers to recognize their responsibility and report observed or suspected wrongdoing to the OIG.

- Maintain an effective program for reviewing and commenting on proposed and existing legislation and regulations affecting the Agency and the IG community.

- Promote OIG's role within the FCA and the community at large.

- Provide leadership to organizations directly contributing to the IG community, the Agency, and the Federal government.

With these goals front and center, the FCA OIG conducts investigations and also analyzes Agency performance through risk-based performance audits, inspections, and evaluations and provides conclusions and recommendations designed to strengthen Agency effectiveness and efficiency. For further information, *see* FCA OIG Strategic and Operating Performance Plan, FY 2015-2016.

➢ UNIQUE ROLE OF THE INSPECTORS GENERAL

Statutory IGs are structurally unique within the Federal government. Each OIG is an independent and objective unit within its agency whose duty it is to combat waste, fraud, and abuse in the programs and operations of that agency.

In order to ensure independence for the OIGs in performing their statutory duties, the IG Act also contains a variety of statutory provisions designed to ensure the objectivity of OIG

work and to safeguard against efforts to compromise that objectivity or hinder OIG operations. It is these guarantees of independence that make statutory IGs unique.[5]

➢ IG APPOINTMENTS

The IG Act created two types of IGs: those IGs in "establishments" and those in "designated federal entities." "Establishment IGs" are appointed by the President with Senate confirmation; "Designated Federal Entity IGs" are appointed by their agency head, which is sometimes a Board. The FCA OIG is a designated federal entity OIG, as the IG is appointed by the FCA Board.

Significantly, IGs must be selected **without regard to political affiliation** and based solely on integrity and demonstrated ability in accounting, auditing, financial analysis, law, management analysis, public administration, or investigations. The IG Act also has statutory safeguards designed to prevent IGs from being removed for political reasons or simply because they are doing an effective job of identifying fraud, waste, and abuse. Thus, there is no term of office for an IG, and the IG Act requires that the President must inform Congress of the reasons before removing or transferring an IG.

The importance of these statutory protections for the OIGs was made clear in the Congressional and public outcry that accompanied the mass firing in 1981 by incoming President Ronald Reagan, of all OIGs appointed by his predecessor. After a Congressional uproar caused by the firing, President Reagan rehired some of these IGs. Since then, retention of OIGs with transition changes has been expected with administrative transitions based on the required statutory independence of OIGs under IG Act.

➢ IG DUTIES

Audits, Investigations, Evaluations

The FCA OIG conducts audits and investigations relating to FCA programs and operations. OIG employees follow applicable professional standards, including Government Auditing Standards (i.e., the "Yellow Book"); Quality Standards for Investigations; Quality Standards for Inspection and Evaluation, etc.[6]

Dual Reporting Requirements

OIGs have a dual reporting responsibility under the IG Act, to keep both the head of their agency and Congress fully and currently informed about deficiencies in programs and operations and progress in correcting those deficiencies. IGs keep their agencies informed by issuing audit, inspection, evaluation, and investigative reports, and by providing agency officials with briefings on these reports as appropriate. For the FCA OIG, this includes

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[5] See https://www.ignet.gov/sites/default/files/files/IG_Authorities_Paper_-_Final_6-11-14.pdf

[6] See https://www.ignet.gov/content/quality-standards.

reporting to the FCA Board, Chairman, and other Board Members. All OIG reports subject to public release, are published on the OIGs' websites, and the FCA's homepage website includes a link to the FCA OIG's website. *See FCA OIG Website.*

The IG Act also requires each OIG to issue a "Semiannual Report to Congress" every six months. *See FCA OIG Semiannual Reports to Congress.* These reports are transmitted by the agency head, here at FCA, the Board, to Congress along with any comments and other required information. IGs also keep Congress informed by testifying before Congressional committees and by providing other updates and briefings to Congress on OIG work.

Proposed Legislation, Regulations

The FCA OIG also reviews existing and proposed legislation, regulations, and policies. The OIG's review focuses on providing recommendations concerning the impact of proposed policies, legislation, and regulations, on economy and efficiency and the prevention and detection of fraud and abuse.

OIG Hotlines

OIG Hotlines play a critical role in the work of the OIGs, as OIGs use their Hotlines to elicit information from Federal employees, contractors, and from the general public regarding allegations of fraud, waste, and abuse. Although some of the tens of thousands of calls made each year to OIG Hotlines are misdirected or otherwise not productive, many lead to OIG investigations and audits that result in prosecutions, cost savings, and efficiency recommendations.

The FCA OIG's Hotline is key to providing FCA personnel and other individuals and contractors with a safe and anonymous reporting mechanism to facilitate the OIG's mission. *See Appendix ___ (OIG Hotline contact information).*

➢ IG AUTHORITY – SAFEGUARDS TO INDEPENDENCE

The importance of IG independence cannot be emphasized enough. The IG Act guarantees OIG independence to ensure the objectivity of each IG's work, and a number of IG Act provisions promote the IG's independence.

IG Supervision

The FCA OIG is operationally independent from the Agency. Under the IG Act, supervision of the IG is strictly limited and there are safeguards against removal. Also, the IG reports only to his or her agency head or deputy, which for the FCA OIG, is the FCA Board, and not to any subordinate employees. Moreover, even this level of supervision for IGs is required to be "nominal". This limits the potential conflicts of interest that could arise where an IG were placed under the supervision of an official whose particular programs were being reviewed by the IG.

IG Budget

IG independence is also central to budgeting for OIGs. An IG's budget request must be separately identified within an agency's budget when submitted to OMB and also as part of the President's budget submitted to Congress. In addition, any comments by the IG that a budget would substantially inhibit the IG from performing its duties must be included as part of the President's budget.

IG Administrative Authorities

The IG Act also grants the OIG broad administrative authorities to select, appoint, and employ personnel; hire consultants; and contract for audits, studies, and other services. The Act further mandates that the IG's host agency provide the OIG with appropriate and adequate office space, equipment, office supplies and communications facilities and services. Because it is more efficient and cost effective, the FCA OIG obtains personnel, procurement, and certain other services through the Agency, although these services are provided through delegations and memoranda of understanding with the Agency that recognize the IG's statutory independence.

Access and Subpoena Authority

IGs are given a broad statutory right of access to all records available to their agencies. 5 U.S.C. App. 3, 6(a)(1). For records outside of their agencies, the IG Act provides the OIGs, including the FCA OIG, with authority to subpoena all information necessary in the performance of the functions assigned by the IG Act. 5 U.S.C. App. 3, 6(a)(4).

Cooperation with IGs

The IG Act grants IGs authority to request information and assistance from federal agencies. 5 U.S.C. App. 3, 6(a)(3). Many agencies, including the FCA, have issued policies reaffirming employees of their obligation to cooperate with OIG investigations. See FCA Policies and Procedures Manual (PPM) 301, *Reporting and Investigation of Illegal Acts and Abuses* (4/21/2016).

➢ OIG INSIGHTS ON MANAGEMENT CHALLENGES

A significant contribution OIGs make to federal agencies, is submission of an annual report on their agency's major management challenges. The FCA OIG's a report on key management challenges for the FCA, included in the Agency's Performance and Accountability Report each year, most recently identified four Major Challenges for the Agency. These included: (1) Examination and Supervision Program; (2) Information Technology; (3) Human Capital; and (4) Organizational Structure. The FCA's most recent Performance and Accountability Report includes detailed information regarding these management challenges. *See* FCA Performance and Accountability Report FY 2015.

➢ THE ROLE OF CIGIE – THE COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY

The Council of the Inspectors General on Integrity and Efficiency (CIGIE) is an independent entity established within the Executive branch whose membership consists of all IGs established under the IG Act and its amendments. The CIGIE has eight standing committees:

• Audit	• Investigations
• Information Technology	• Legislation
• Inspections & Evaluation	• Professional Development
• Integrity	• Budget

Currently, the FCA Inspector General serves on the CIGIE Inspections & Evaluation Committee, and the Legislation Committee. She also serves as the at-large member of the CIGIE Executive Council which includes the chairs of each standing committee, and the immediate past Chair and Vice Chair.

Through its CIGIE committee work and in other IG community activities, the FCA OIG work with the CIGIE to addresses integrity, economy and effectiveness issues that transcend individual Government agencies and OIGs.7 CIGIE works to identify, review, and discuss areas of weakness of vulnerability in Federal programs; develops plans to address such weaknesses; coordinate training for OIG employees through the CIGIE Training Institutes; makes recommendations or issue statements on behalf of the IG community; and undertakes other community-wide initiatives to promote OIG activities and facilitate a professional, well-trained and highly skilled OIG workforce. Further information regarding CIGIE is available online at: Council of the Inspectors General on Integrity and Efficiency

➢ FURTHER INFORMATION

"The peaceful transition of power has long been a hallmark of American democracy." Executive Order, *Facilitation of a Presidential Transition* (May 6, 2016). With this guidance, the FCA OIG hopes to help facilitate a well-coordinated and well-informed transition, whether that transition involves members of the FCA Board or the Office of the President of the United States.

For more information, please contact the FCA OIG at (703) 238-4030.

[7] More information on CIGIE is available at: https://www.ignet.gov/content/ig-act-history.