

**Farm Credit Administration
Office of Inspector General**

Audit Report

**Farm Credit Administration's
Office of Data Analytics and
Economics**

A-23-01

June 14, 2023

FCAOIG

Farm Credit Administration
Office of Inspector General



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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, Virginia 22102-5090

Dear Chairman Logan and Board Members Hall and Smith:

The Office of Inspector General (OIG) completed an audit of the Farm Credit Administration's (FCA or Agency) Office of Data Analytics and Economics (ODAE). The objective of the audit was to evaluate ODAE's organizational structure, strategic objectives, performance goals, and responsibilities in achieving the Agency's mission. We found that ODAE supports FCA in achieving its mission. ODAE is designing a new reporting system for the young, beginning, and small farmers and ranchers program. ODAE also chaired FCA's Data Advisory Group (DAG), complied with applicable Foundations for Evidence-Based Policymaking Act of 2018 reporting requirements, and participated on the Climate Risk Task Force.

The OIG identified opportunities to improve how the Agency has defined and documented ODAE's roles and responsibilities. Specifically, the Agency does not have overarching policies and procedures on ODAE's roles and responsibilities, reporting requirements, and coordination with other FCA offices. While ODAE has several written policies and procedures that explain technical aspects of its work, these documents were generally in draft form and were not completed in a specific, detailed, and consistent manner. Finally, the OIG found that the participation in, and function of, the DAG needs to be clarified by ODAE, and the Agency needs to evaluate and formalize plans for the Climate Risk Task Force.

The OIG made five recommendations to improve clarity on ODAE's responsibilities and requirements. FCA management agreed or partially agreed with the recommendations, and we found the completed or planned actions responsive to our recommendations. Due to the corrective actions implemented over the course of the audit, we also consider recommendations 3 and 5 closed.

We appreciate the courtesies and professionalism extended by FCA to our staff during the audit. If you have any questions about this audit, we would be pleased to meet with you at your convenience.

Respectfully,

A handwritten signature in black ink that reads 'Sonya K. Cerne'.

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

EXECUTIVE SUMMARY

Farm Credit Administration's Office of Data Analytics and Economics

Report No. A-23-01

June 14, 2023

Objective

The objective of this audit is to evaluate ODAE's organizational structure, strategic objectives, performance goals, and responsibilities in achieving the Agency's mission.

Scope

The scope of this audit is limited to FCA's ODAE and other FCA offices that were impacted by ODAE's formation.

Recommendations

The OIG made five recommendations to add definition to ODAE roles and responsibilities and to develop and improve policies and procedures for more effective operations and collaboration with other FCA offices.

Agency Response

Management provided responsive corrective actions for the recommendations made in the report. Management agreed with recommendations 1, 2, 3, and 4. Although management only partially agreed with recommendation 5, the actions completed by ODAE address the weaknesses found in the report. Further, due to the corrective actions implemented over the course of this audit, we consider recommendations 3 and 5 closed.

Why We did This Audit

In 2019, the Farm Credit Administration (FCA) Board created the Office of Data Analytics and Economics (ODAE) and named a Chief Data Officer to serve as a steward for Agency data and as a provider of information for objective, evidence-based decision making across the Agency. Since the creation of the office in 2019, FCA has invested significant resources in the growth and development of this office to support FCA in achieving its strategic mission. We conducted this audit to review ODAE's progress in providing support for the Agency's evidence-based decision making.

How We Did This Audit

To review the office, we tested ODAE's compliance with certain activities in its Fiscal Year 2023–2024 Operating Plan. We reviewed ODAE's policies and procedures. We tested ODAE's compliance with certain Foundations for Evidence-Based Policymaking Act of 2018 (Evidence Act) reporting requirements. We conducted interviews with personnel from five different offices to discuss ODAE's efforts to communicate and collaborate with other FCA offices.

What We Found

The Office of Inspector General (OIG) found that ODAE supports FCA in achieving its mission. ODAE is designing a new reporting system for the young, beginning, and small farmers and ranchers program data. ODAE also chaired FCA's Data Advisory Group (DAG), complied with certain Evidence Act reporting requirements, and participated on the Climate Risk Task Force.

However, the OIG identified opportunities to improve how the Agency has defined and documented ODAE's roles and responsibilities. Specifically, the Agency does not have overarching policies and procedures on ODAE's roles and responsibilities, reporting requirements, and coordination with other FCA offices. While ODAE has several written policies and procedures that explain technical aspects of its work, these documents were generally in draft form and were not completed in a specific, detailed, and consistent manner. Additionally, we found that the participation in, and function of, the DAG needs to be clarified by ODAE and the Agency needs to evaluate and formalize plans for the Climate Risk Task Force.

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BACKGROUND

Farm Credit Administration

The Farm Credit Administration (FCA or Agency) is an independent federal agency responsible for regulating, examining, and supervising the Farm Credit System (FCS or System). The Agency is responsible for ensuring that all System institutions are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America. To fulfill this mission effectively and efficiently, the Agency has emphasized the use of data and analytics to evaluate strategic risks to the System and FCA.

Evidence Act

On January 14, 2019, the President signed into law the *Foundations for Evidence-Based Policymaking Act of 2018* (Evidence Act). The Evidence Act “emphasizes collaboration and coordination to advance data and evidence-building functions in the Federal Government by statutorily mandating Federal evidence-building activities, open government data, and confidential information protection and statistical efficiency.”¹ Among other things, the Evidence Act required agencies to designate a nonpolitical employee as the Chief Data Officer (CDO) based on demonstrated training and experience in data management, governance, collection, analysis, protection, use, and dissemination. The Evidence Act also requires the CDO to submit an annual report to Congress.

The Office of Management and Budget’s (OMB) implementing guidance explains that the Evidence Act does not require the CDO position to be within any specific organizational unit of the agency or to report to any particular official. However, the OMB guidance requires the CDO to “serve in a central leadership position, with visibility into relevant agency operations, and be positioned highly enough to regularly engage with other agency leadership, including the head of the agency.”

Office of Data Analytics and Economics

On November 19, 2019, the FCA Board approved the creation of the Office of Data Analytics and Economics (ODAE) and selected the CDO² as the office director. FCA established ODAE to facilitate an Agency-wide strategy for data analytics and collaboration across offices using business intelligence tools and the development of models to meet the economic and data analytic needs of the Agency.

¹ Office of Management and Budget Memorandum M-19-23, *Phase 1 Implementation of the Foundations for Evidence-Based Policymaking Act of 2018: Learning Agendas, Personnel, and Planning Guidance* (July 10, 2019).

² The CDO position was created on July 17, 2019, and while originally assigned to the Office of Regulatory Policy, the CDO was then detailed to the Office of the Chief Operating Officer.

Prior to the creation of ODAE, FCA's economics function and CDO position were housed in the Office of Regulatory Policy (ORP). To establish ODAE, these personnel and budgets were transferred to the new office. According to documentation establishing the new office, the Agency desired "to move toward an even more objective, data-based policymaking posture, leveraging the Agency's data resources to make the best decisions to uphold the safety and soundness of the Farm Credit System."³

At the time of this audit, ODAE reported to FCA's Chief Operating Officer (COO). However, by notational vote on April 7, 2023, the FCA Board approved the establishment of an Office of the Chief of Staff, which will report directly to the FCA Board Chairman and Chief Executive Officer. The notational vote also changed FCA's organizational structure, with the Office of Agency Services, Office of the Chief Financial Officer, the Office of Information Technology (OIT), and ODAE reporting to the Chief of Staff. The Office of Examination (OE) and ORP will continue to report to the COO. Until the Chief of Staff position is filled, ODAE, the Office of Agency Services, Office of the Chief Financial Officer, and OIT will continue reporting to the COO.

ODAE Support to the FCA Strategic Mission

FCA Regulation Part 600 (subpart A), *Organization and Functions*, states that ODAE evaluates strategic risks to the System using data, analytics, economic trends, and other risk factors. In its Fiscal Year (FY) 2022-2026 Strategic Plan, FCA outlined the Agency's strategic goals and objectives. The plan also lists performance goals and corresponding metrics. Offices within FCA are assigned responsibility for the performance goals in the plan.⁴

FCA's FY 2022-2026 Strategic Plan identifies ODAE as partly responsible for Strategic Objective 2.1, "Promote access to [young, beginning, and small farmers and ranchers] YBS lending programs and financial services for eligible borrowers." To achieve this objective, FCA lists four performance goals. The Agency lists ODAE as partly responsible for two of the performance goals related to supporting young, beginning, and small farmers and ranchers (YBS):

Strategic Objective 2.1.2
Identify best practices through enhanced YBS reporting.

Strategic Objective 2.1.4
Continue to enhance YBS data analysis to better evaluate and rate the effectiveness of System institution programs in serving YBS borrowers and to identify further opportunities for improving service to these borrowers.

³ Notational Vote 19-28, Executive Summary.

⁴ More than one office, or all offices, may be responsible for a specific performance goal and corresponding metric.

To measure achievement of these performance goals, both qualitative and quantitative improvements to YBS data must be made. The strategic plan also notes that FCA will work with the System to leverage existing data assets to improve useability and consistency of YBS lending data.

ODAE Operating Plan

ODAE uses an operating plan that aligns ODAE objectives with those of FCA. The ODAE FY 2023-2024 Operating Plan lists nine objectives:

- **Objective 1:** Continue serving as an open, objective, and collaborative resource for data and analytics;
- **Objective 2:** Serve traditional economics functions for the Agency and further expand these capabilities;
- **Objective 3:** Continue ongoing support for emergency response team;
- **Objective 4:** Lead improvements in data quality, specifically YBS reporting and lead modernization of data collection, storage, and use more broadly in the Agency;
- **Objective 5:** Provide support to OE in risk analysis, data enhancement, and tool development;
- **Objective 6:** Assist ORP by providing objective evaluation of regulations prior to finalization and evaluation of merger applications;
- **Objective 7:** Assist other offices with technical and economic requests;
- **Objective 8:** Climate Risk Task Force efforts to research how climate might impact risks to the FCS loan portfolio and extension of credit by the System; and
- **Objective 9:** Continue development of data governance framework, data improvement efforts at the Agency level, and implementation of the Evidence Act of 2018 and Federal Data Strategy.

ODAE Staffing

ODAE was originally staffed with the Director/CDO, the Chief Economist, and three staff economists.⁵ As of May 2023, ODAE had 11 employees including the Director/CDO, the Chief Economist, a Management Analyst, four economists, two data scientists, a data analyst, and an administrative assistant.⁶

⁵ The Chief Economist and three staff economists were transferred to ODAE from ORP.

⁶ As of June 2023, an economist was transferred from ODAE to ORP and ODAE was working to fill the position.

ODAE Staffing				
Year	Management*	Data Scientists and Economists	Other Employees**	Total Staff
Initial Staff	2	3	0	5
Calendar Year 2020	2	5	1	8
Calendar Year 2021	2	5	1	8
Calendar Year 2022	2	7	2	11
* Includes Director and the Chief Economist				
** Includes full-time staff and detailees.				

ODAE Budget

ODAE is currently operating with an annual budget of about \$3 million. Salaries and benefits are the largest expense in ODAE’s operating budget. The other two main budgeting categories for ODAE include “Other Contractual Services” and “Office Supplies and Publications.” ODAE budget documentation states that, “due to the high level of technical training already possessed by staff, much learning occurs on an experiential and application basis. An important vehicle for facilitating this experiential learning is acquiring new data assets for staff. These data purchases provide new, challenging opportunities for staff to learn new topical areas, learn new technical tools/methods, and generate new knowledge for the Agency in the process.”

Starting in FY 2022, the office supplies and publications budget category included funding for initiatives and data purchases to support the Climate Risk Task Force. ODAE budget documentation explains that “the budget request reflects continued support for the data purchase related to the Climate Risk Task Force.” For FY 2023 and FY 2024, the category of other contractual services also reflects funding for outside expertise to support the Climate Risk Task Force.

ODAE Spending and Budget

Year	Salaries and Benefits	Other Contractual Services	Office Supplies Publications and Materials	Total**
FY 2021 ODAE Actual Spending*	\$1,910,793	\$2,627	\$46,826	\$1,960,273
FY 2022 ODAE Actual Spending*	\$2,111,519	\$3,762	\$212,341	\$2,350,470
FY 2023 ODAE Budget	\$2,652,289	\$122,280	\$182,937	\$2,978,306
FY 2024 ODAE Budget	\$2,722,752	\$128,094	\$188,425	\$3,061,106

* Includes total obligations and expenditures

** Includes categories not listed in the chart

Prior Office of Inspector General Reports

Over the past five years, FCA Office of Inspector General (OIG) completed one audit related to the current audit objective. The objective of *FCA's Stress Testing and Guidance and Use of Data and Analytical and Examination Tools (A-19-01)* audit was to evaluate FCA's progress in updating stress testing guidance and related data, and analytical and examination tools. The report made a recommendation to the Office of the COO to develop a project plan with milestones to ensure the timely completion of specific tasks. FCA agreed with the recommendation, and the OIG closed the recommendation on January 28, 2021.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of this audit is to evaluate ODAE's organizational structure, strategic objectives, performance goals, and responsibilities in achieving the Agency's mission. The OIG performed this audit at FCA's headquarters in McLean, Virginia from October 2022 through June 2023.

Scope

The scope of this audit is limited to ODAE and other FCA offices that were impacted by ODAE's formation.

Methodology

We took the following steps to accomplish the objective:

- Identified and reviewed related laws, regulations, and other background information applicable to the audit objective;
- Identified and reviewed applicable internal FCA policies and procedures;
- Reviewed prior FCA OIG and other external reviews related to the audit objective;
- Reviewed FCA's delegations of authority and designations applicable to ODAE and the CDO, and information on the creation of ODAE;
- Interviewed officials from ODAE, the Office of the COO, OE, OIT, and ORP on ODAE's efforts to coordinate and collaborate with these FCA offices;
- Reviewed FCA's Personnel Action Report covering November 2019 through September 2022, for personnel changes within ODAE;
- Reviewed ODAE's operating plans for FY 2021-2022, FY 2022-2023, and FY 2023-2024; and
- Analyzed ODAE's spending reports for FYs 2021 and 2022 and its budget documents for FYs 2023 and 2024.

Tests Performed

- Tested ODAE's compliance with its FY 2023-2024 Operating Plan by judgmentally sampling five of the nine stated objectives. Specifically, the OIG selected Objectives 4, 5, 6, 8, and 9 because those objectives focused on support to other FCA offices, support to FCA programs, and implementation of the Evidence Act. Because this was a judgmental sample, the OIG cannot project the findings to the population of all objectives.
- Requested all economic impact analyses ODAE conducted on proposed rules from November 2019 through September 2022. Reviewed the one economic impact analysis conducted by ODAE.
- Tested ODAE's compliance with certain Evidence Act reporting requirements by reviewing submitted reports for 2020, 2021, and 2022. The OIG reviewed the reports for FCA leadership approval and evidence of distribution to the appropriate congressional committees.
- Judgmentally sampled evidence of the Data Advisory Group (DAG) meetings for 2020, 2021, and 2022. For the sampling, the OIG requested four months of meeting information, for each year, selecting different months and years, in the period reviewed. Because this was a judgmental sample, the OIG cannot project the findings to the population of all meetings.
- Tested ODAE's completion and supervisory review of quarterly economic reports by judgmentally sampling quarterly economic reports. The OIG selected the sample based on

the quarter and year. Because this was a judgmental sample, the OIG cannot project the findings to the population of reports.

- Reviewed changes to FCA's YBS reporting guidelines.

Generally Accepted Government Auditing Standards

The OIG conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that the OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objective. The OIG reviewed internal controls identified as significant to the audit objective and did not identify any material control weaknesses. The OIG designed audit procedures to assess internal controls to the extent necessary to address the audit objective. Because this review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of the audit. The OIG also assessed the reliability of data relevant to the audit objective and determined that the data provided to the OIG was sufficiently reliable. The OIG believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. The OIG considered the risk of fraud and abuse during the audit, and there were no indications that fraud or abuse was occurring.

AUDIT RESULTS

The OIG evaluated ODAE's organizational structure, strategic objectives, performance goals, and responsibilities in achieving the Agency's mission and found that ODAE supports FCA in achieving its mission.

The OIG found that in supporting the Agency's mission, ODAE:

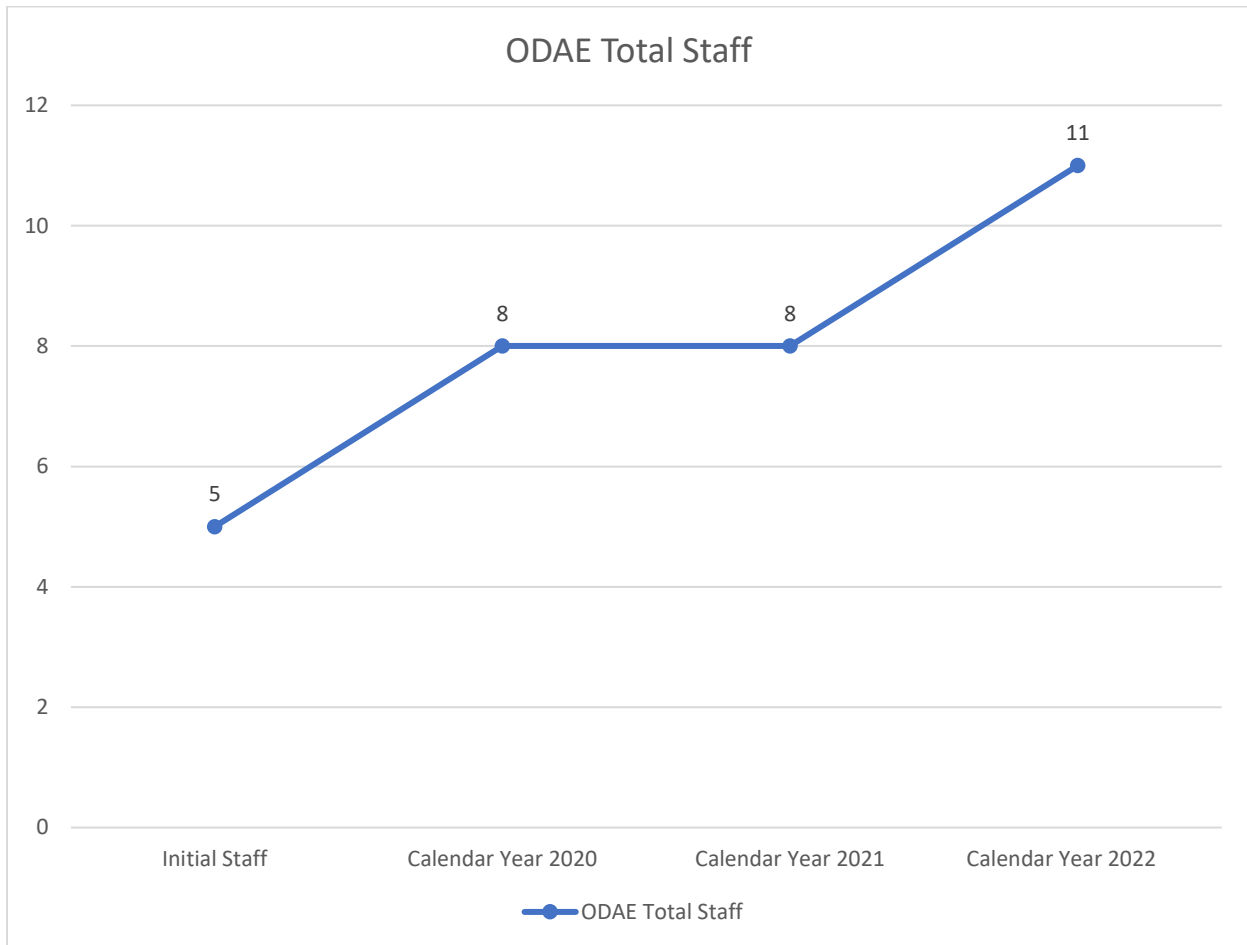
- Provided quarterly economic briefings to the FCA Board and senior leadership in order to support Agency decision making;
- Submitted reports to appropriate committees of Congress pursuant to Evidence Act reporting requirements for FYs 2020, 2021, and 2022;
- Began designing a new reporting system that will allow FCA to enhance FCS lending data for farmers and ranchers in the young, beginning, and small categories;
- Chaired the DAG in compliance with OMB guidance implementing the Evidence Act; and
- Participated on the Climate Risk Task Force.

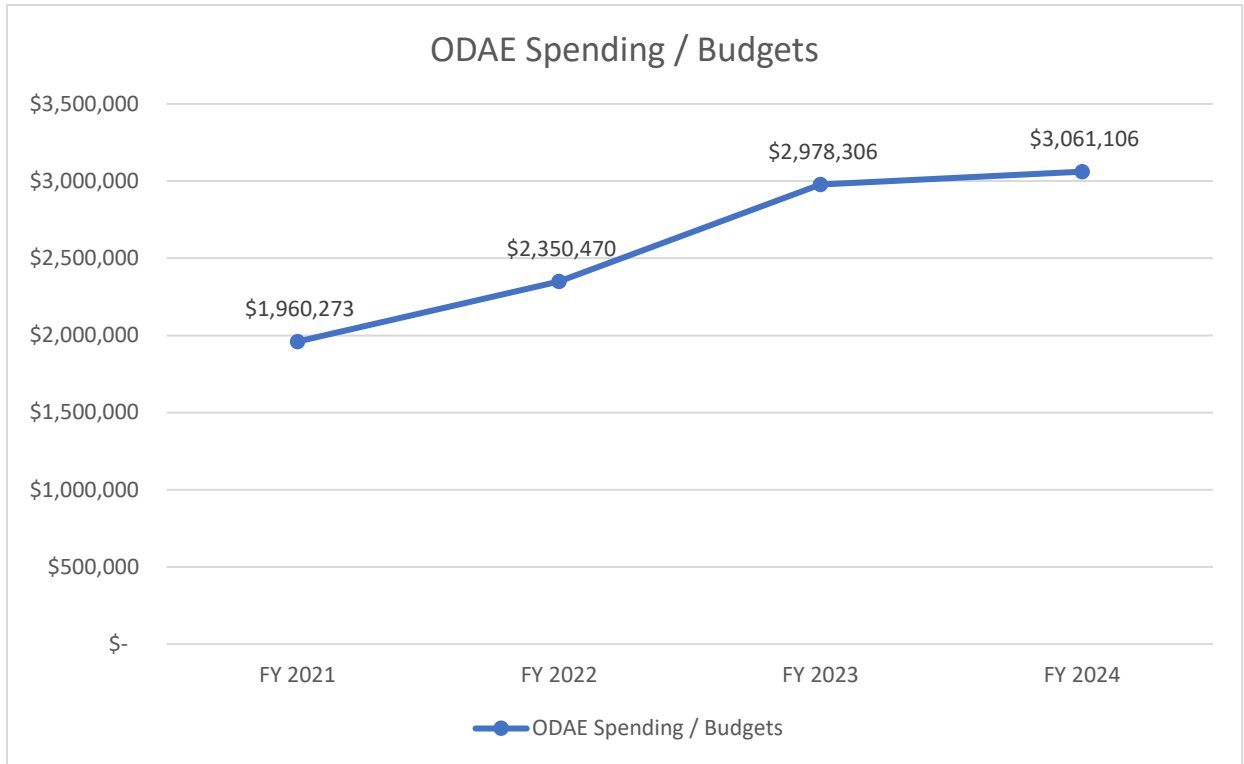
However, the OIG identified areas for improvement. Although the Agency has devoted resources to the new office, ODAE has not established important control mechanisms to improve the effectiveness of the office. For example, ODAE has not fully documented its policies and procedures nor fully defined its coordination and communication processes. The lack of more robust policies, procedures, and processes partly results from a lack of overarching policy direction

from the Agency, which needs to more fully outline ODAE’s priorities and operations. ODAE also focused on other priorities, including responding to the global pandemic and tasks assigned by senior leadership and the FCA Board.

Project Management

Since its creation, the Agency has devoted significant resources to ODAE. Over a three-year period, as seen in the charts below, ODAE’s staff has more than doubled and ODAE’s budget has increased by about 60 percent (based on FY 2021’s actual spending through FY 2024’s budget).





We also found that ODAE had been assigned multiple important projects. These projects include the Evidence Act report, quarterly economic briefings to the FCA Board, Climate Risk Task Force responsibilities, and YBS reporting. The OIG tested aspects of each of these projects to understand ODAE’s project management processes. We found that ODAE generally completed its tasks and had a process in place for project management. Specifically:

- As outlined previously, ODAE has responsibility for certain Agency goals, including promoting YBS lending programs. Through interviews with FCA and ODAE officials, the OIG found that ODAE is developing a new YBS reporting system. As indicated in annual YBS reports to the Board from 2020, 2021, and 2022, YBS data is being reported separately for each category of young, beginning, and small. Thus, combining the totals in the categories does not produce an accurate measure of lending as borrowers can be in one or more categories. An ODAE official explained that the FCA Board prioritized an initiative to improve the consistency of YBS data and reduce the burden on the System in preparing the statutorily required YBS reports. FCA officials stated that ODAE developed a new reporting system that would allow FCA to enhance YBS reporting.
- The Evidence Act requires the CDO to submit an annual report to certain congressional committees on the Agency’s compliance with the requirements of subchapter I of title 44 U.S. Code, chapter 35. To test ODAE’s compliance with the Evidence Act reporting procedures, the OIG requested copies of Evidence Act reports from 2020, 2021, and 2022 and evidence of distribution to the appropriate congressional committees. ODAE provided evidence of all requested items and no exceptions were noted.

- The OIG selected four quarterly economic briefings to the FCA Board to determine if there was a supervisory review process for the reporting. ODAE provided evidence of supervisory review for all four of the requested reports.

However, additional processes need to be established and documented for the items noted below.

Climate Risk Task Force

One of ODAE's objectives is to support the Climate Risk Task Force. FCA and the Farm Credit System Insurance Corporation created the Climate Risk Task Force to recognize and evaluate any potential risk that climate poses to the System through possible impacts on land values, crop productivity, animal health, and rural economies. The Climate Risk Task Force charter directs the task force to: determine how FCA regulated entities define or interpret climate effects on credit risks; analyze internal and external data; build a model or other tool to quantify risk; and determine how other agricultural stakeholders define or interpret climate effect on credit risk.

As noted in the previous budget section, beginning in FY 2022, FCA began budgeting to purchase data as part of the Climate Risk Task Force. The ODAE budget documentation also explained that the FY 2023 and FY 2024 budgets included funding for outside expertise possibly needed as part of the Climate Risk Task Force. Although FCA has invested significant resources in acquiring data for the Climate Risk Task Force, additional project management details need to be clarified. The task force charter lists five key deliverables, including outreach to the regulated community, outreach to stakeholders, data acquisition, data analysis, and report to the FCA Board; however, none of the deliverables included a projected completion date and only two of the five included a start date. ODAE also provided a Climate Risk Task Force timeline dated August 2021, which included deliverables and timeframes for finalization. However, the timeline indicates that all Climate Risk Task Force activities will be completed by the fourth quarter of 2022.

ODAE officials stated that the office completed the following since the creation of the task force:

- Created a cloud environment with the assistance of OIT;
- Acquired datasets;
- Cleaned and improved the datasets;
- Compared its initial results with other academic research conducted in this space; and
- Conducted ad hoc projects that align with topics of interest to FCA.

ODAE has also made progress on answering its initial research question, which is to assess potential impacts of climate issues on farmland values. However, the OIG determined that while ODAE has adhered to its guidance on participating on the Climate Risk Task Force, additional project management details, such as current milestones and deliverables are needed to clarify expectations.

Data Advisory Group

OMB Memorandum M-19-23, *Phase 1 Implementation of the Foundations for Evidence-Based Policymaking Act of 2018: Learning Agendas, Personnel, and Planning Guidance*, states that the head of each agency must establish an agency Data Governance Body, to be chaired by the CDO, with participation from relevant senior-level staff in agency business units, data functions, and financial management.

In accordance with the foregoing OMB memorandum, FCA's DAG was established to be the principal internal Agency forum for addressing data management standards, priorities, policies, and practices. An ODAE official stated that the DAG charter explains how the DAG operates. The DAG charter includes scope, purpose, procedures, and membership sections. The DAG charter also specifically states that membership includes:

- Chief Data Officer, who serves as Chair, from ODAE;
- Chief Information Officer (CIO) or designee;
- Senior Agency Official for Privacy or designee;
- Senior Agency Official for Records Management or designee;
- Representative from OE;
- Representative from ORP;
- Representative from Office of General Counsel (OGC);
- Representative from Office of the Chief Financial Officer;
- Representative from Office of Agency Services;
- Representative from Office of Congressional and Public Affairs; and
- Representative from Office of Secondary Market Oversight.

However, there appeared to be uncertainty regarding the participation in, and function of, the DAG among FCA offices. FCA officials from one office stated that they only knew about DAG meetings because of their prior positions within FCA. The officials stated that they were unaware that their current office had a spot on the DAG, even though the charter clearly identifies that office as having a DAG participant.

The charter states that the DAG will have decision-making authority on many items related to data and analytics with oversight from the COO, and the DAG will operate as a forum for communication and developing recommendations for Agency leadership. In October 2022, the DAG established four subcommittees including the Call Report Data Group, the Technical Capabilities and Platform Group, the Data Governance and Management Group, and the Loans Data Group. An ODAE official stated that the core piece of coordination and collaboration is done at the subcommittee level. The official also stated that the subcommittees have processes to memorialize conversations and coordination efforts.

However, neither the DAG nor the subcommittees have written procedures on how to exercise and document these decision-making and recommendation authorities, such as voting procedures and meeting note requirements. An official from one FCA office that attends DAG meetings stated that the meetings were not a place where resource decisions were made but rather a forum for ODAE to explain its projects. An FCA official from another office expressed concern about the lack of decisions made at DAG meetings.

During testing, the OIG found that meeting records for DAG meetings did not contain evidence of what occurred at DAG meetings. ODAE officials stated that as a result of an internal control review recommendation made by FCA's Office of the Chief Financial Officer, ODAE developed *Procedures for DAG Meetings* and began keeping meeting records in October 2022. However, the procedures only require that meeting records include the final agenda, meeting invitees, and attendees and do not provide guidance on which DAG decisions need to be memorialized.

Office Priorities

Clear and thorough policies, procedures, and processes support effective and efficient operations. While it appeared ODAE had established processes for prioritizing work and involving senior leadership, these processes are not fully documented. ODAE's policies and procedures provide a limited overview of its responsibilities, how it will carry out those responsibilities, and staff responsibilities.

For project management, an ODAE official stated that the process starts with meetings between the CDO, the Chief Economist, and the Management Analyst to discuss progress on current projects and expectations for the current week. ODAE officials stated that they also have weekly meetings with OIT officials. The CDO also attends weekly FCA senior staff meetings. ODAE officials explained that input from these meetings would be used to prioritize resources.

ODAE officials also explained that because ODAE is the designated steward of Agency data, ODAE develops its own projects based on the current operating environment and FCA leadership's interests and priorities. ODAE officials stated that prior to the start of the current Chairman's term, ODAE leadership would meet with the COO and the FCA Board on a monthly basis. However, those meetings have since changed with new leadership. The CDO stated that although the monthly meetings no longer occur, ODAE still has the support of the FCA Board.

Coordination and Collaboration with Other Offices

Because ODAE is the designated steward of Agency data and provides analytical and economic support to all offices, ODAE can be called upon to coordinate and collaborate with any of the FCA offices. For the purposes of this audit, we focused on the three offices that ODAE regularly coordinates and collaborates with and noted areas for strengthening these partnerships.

ODAE Support to ORP

ORP must collaborate with ODAE in order to meet part of its mission. At the time of our review, ORP was no longer staffed with economists, it relied on ODAE to support its rulemaking responsibilities and to perform analyses on proposed rules. Policies and Procedures Manual (PPM) 601, *Regulation and Public Policy Development of the Farm Credit Administration*, states:

“The Director of the office of Data Analytics and Economics (ODAE) is responsible for coordinating with the Director of ORP to identify rulemakings in which ODAE will be contributing in either a development or analysis function. On these rulemakings in which ODAE is providing development support, ODAE will be a source of objective information for regulation development, working with regulatory staff, to support evidence-based rulemaking. On rulemakings where ODAE is working in an analysis capacity, ODAE will complete an analysis independent from the regulation development process for submission of final rules to [OMB’s Office of Information and Regulatory Affairs] OIRA.”

ODAE has an internal procedure for analyzing the potential economic impact of proposed rules. The procedure includes guidance on determining administrative costs, intangible benefits, and other economic impacts. Furthermore, the procedure states that all analyses should include a statement explaining whether or not the proposed rule meets the definition of a “major rule.”

In accordance with requirements set forth in the Congressional Review Act, OMB Memorandum M-19-14, OMB Circular A-4⁷ and additional federal guidance and authorities, a rule is considered a “major rule” based on the concept that the rule has resulted in or is likely to result in:

- (A) an annual effect on the economy of \$100,000,000 or more;
- (B) a major increase in costs or prices for consumers, individual industries, Federal, State, or local government agencies, or geographic regions; or
- (C) significant adverse effects on competition, employment, investment, productivity, innovation, or on the ability of United States-based enterprises to compete with foreign-based enterprises in domestic and export markets.

The major rule analysis is required by OMB for every final regulation that agencies issue.

ODAE also has written guidance on assisting ORP on rulemakings in its draft desk procedures. Specifically, the document states that because of limited ODAE resources, a regulatory economic impact analysis is performed only on those regulations where it is most critical (where the potential impact of a rulemaking is expected to be the greatest). The document also states that

⁷ OMB Circular A-4 provides guidance to Federal agencies on the development of regulatory analysis as required under Section 6(a)(3)(C) of Executive Order 12866, *Regulatory Planning and Review*, the Regulatory Right-to-Know Act, and a variety of related authorities. The Circular also provides guidance to agencies on the regulatory accounting statements that are required under the Regulatory Right-to-Know Act. As of April 2023, OMB is requesting comments on proposed revisions to OMB Circular A-4.

for regulations where ODAE expertise is less critical (where the expected economic impact of a regulation is low), ODAE would make a “no opinion” determination in lieu of dedicating resources to such an analysis. An FCA official explained that when ODAE does not undertake an economic impact analysis, the workgroup that produced the rulemaking completes the major rule analysis. The official explained that this is generally a joint effort between ORP and OGC.

During this audit, the OIG found that from November 2019 through September 2022, ODAE conducted one regulatory economic impact analysis. Specifically, in August 2021, ODAE conducted an economic impact analysis on the rule amending the Tier 1/Tier 2 capital framework. The analysis contained both an economic impact analysis of changes to the regulation and an evaluation of the major rule criteria. An ODAE official stated that, based on the Fall 2022 Unified Agenda, the office plans to participate in the analysis on eight rules, four in FY 2023 and four in FY 2024. However, as of February 2023, or five months into the fiscal year, ODAE had not yet conducted an economic impact analysis on any of the four proposed rules scheduled for FY 2023. Additionally, an ODAE official stated that ODAE has also supported ORP by providing technology support to new ORP staff, training ORP staff, and collaborating in various workgroups and meetings for ORP.

The OIG also found that, while ODAE has documented certain processes, improvements could be made to enhance ODAE’s decision-making processes as well as its coordination with ORP in providing support services. Specifically, ODAE’s internal procedures are silent on what factors ODAE uses to decide whether or not a regulatory economic impact analysis will be conducted or whether justifications are required for reaching the decision. ODAE and ORP officials also stated that the CDO and ORP leadership meet periodically to discuss the Board’s Unified Agenda, but it is solely up to ODAE whether they conduct a regulatory economic impact analysis, with no justification provided for reaching its determination. Additionally, ODAE and ORP officials confirmed that while ORP may request support directly from the CDO, there is no formal process for requesting such support from ODAE.

ODAE Support to OE

ODAE also provides OE with support services on various projects. Specifically, OE officials stated that ODAE and OE collaborate on:

- quarterly economic briefings to the FCA Board,
- updates to a database, and
- the new YBS loan rating system.

OE officials stated that ODAE has a specific staff member that works on OE projects. This staff member formerly worked in OE before being transferred to ODAE. OE officials explained that the ODAE staff member meets directly with OE leadership to discuss priorities and projects and provides updates to both ODAE and OE leadership on the status of such projects. OE officials stated that while this staff member also has non-OE-related ODAE responsibilities, those responsibilities do not impact the staff member’s ability to work on OE projects. Based on interviews with OE and ODAE officials it appeared as though this collaborative relationship

between ODAE, and OE was effective. However, OE and ODAE confirmed that there is no formal policy or procedure between the two offices related to how their offices coordinate on the provision of ODAE's support services.

ODAE Collaboration with OIT

Because of their respective mission requirements, ODAE and OIT must also collaborate and support each other. For example, ODAE is responsible for Agency data, but OIT is responsible for cybersecurity and privacy efforts. So, to ensure that Agency data is secure and, if appropriate, kept confidential, ODAE and OIT must work together.

However, we found that neither OIT nor ODAE have a formalized process for such collaboration and support. ODAE and OIT officials stated that the two offices have weekly meetings at which requests for support are sometimes discussed, but at other times requests come in directly from ODAE staff to OIT staff. OIT has limited resources to assist with ODAE projects given its own heavy workload. Hence, it is important that the CIO is aware of ODAE's requests for support services. Similarly, it is important that the CDO is provided accurate information regarding OIT limitations in supporting ODAE projects. This information sharing at the highest level will enable both offices to provide resources to various projects and plan alternative means for completing work.

Because ODAE and OIT have similar, highly technical skill sets and capabilities, it is important to coordinate efforts. As an example, both offices have staff with experience building database loaders and developing data architecture. Given these interlocking capabilities, it is important to have both offices leverage their particular skill sets and coordinate on the development and future support of projects to ensure that they are successfully implemented in an effective and efficient manner. There is also an opportunity for staff to learn additional skills from each other through knowledge sharing. A formal process for coordination and collaboration will enable both offices to prioritize resources and plan projects while eliminating confusion amongst the offices and avoiding a duplication of efforts.

Collaboration and Coordination Examples

There are multiple ways the Agency could improve collaboration between ODAE and other FCA offices. For instance, other FCA offices coordinate with each other in the following ways:

- Designate a point of contact or liaison to other offices;
- Use electronic systems to request support; and
- Publish project lists and priorities that are made available throughout the Agency, such as the Agency's Unified Agenda, which outlines ORP's priorities, and OE's National Oversight Plan. These documents not only set the expectations and priorities for those offices but also make other FCA offices aware of their projects.

Although it could be accomplished in a variety of ways, a mechanism for informing and requesting ODAE services would improve ODAE's coordination and collaboration efforts.

Root Causes

Several root causes contributed to the improvements needed in defining and documenting ODAE's responsibilities and operations. The lack of a defined overarching Agency policy outlining ODAE's responsibilities and requirements may have created differing views of the office's responsibilities. In turn, ODAE's internal procedures, many of which remain in draft, lack detail and consistency, and were not prioritized.

FCA Board Direction

ODAE officials stated that the FCA Board has supported the office's growth and development while providing the office with the flexibility it required to conduct projects. ODAE officials explained that prior to the start of the current FCA Chairman's term, ODAE met with FCA Board members and the COO on a monthly basis. At these meetings, ODAE would provide updates on its current projects, receive input on future projects, and discuss Board priorities. However, during this audit, there were ongoing changes to FCA's operating structure and leadership, and the subject and frequency of these meetings had yet to be established.

With new FCA leadership and organizational structure, there is an opportunity for the Agency to further define how ODAE will be utilized in order to meet strategic objectives and how it will coordinate and collaborate with other FCA offices to help the Agency run in an effective and efficient manner. While ODAE's main functions are acknowledged in FCA Regulation Part 600 (subpart A), *Organization and Functions*, the office lacks overarching policy direction, such as the type of direction that would be included in an FCA Board policy statement or an Agency-wide policy or procedure. Additionally, further defining and communicating the roles and responsibilities of the Climate Risk Task Force and DAG will increase the effectiveness of these groups in achieving the Agency's mission.

Policies and Procedures

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* states that effective information and communication are vital for an entity to achieve its objectives. In addition, FCA's PPM 1002, *Agency Policies and Procedures*, states that, "Agency procedures are defined to be the practices and processes that are used by staff to implement Agency policies or other programs authorized by the Chairman/CEO [Chief Executive Officer]." PPM 1002 outlines the standardized policy format and provides that policies should be easy to understand, concise, and written in plain English. "Procedures are typically recommended by an office director (or other responsible Agency officials) in coordination with other office directors who will be affected by the procedures . . ."⁸

As previously noted, ODAE has a number of recurring projects that are required by law or by FCA leadership. These projects include the Evidence Act report, quarterly economic briefings to the FCA Board, and YBS reporting. While ODAE's main functions are acknowledged in FCA Regulation

⁸ PPM 1002, *Agency Policies and Procedures*.

600 (subpart A), there are currently no Agency-wide policies outlining the office's reporting requirements to the Board or senior leadership, or how ODAE will coordinate with other FCA offices. Because the Agency has not detailed the office's priorities and requirements, the office may be unclear about senior leadership's requirements, priorities, involvement, and expectations.

Further, Agency-wide documented policies and procedures on ODAE will ensure that FCA offices clearly understand their roles and responsibilities in relation to ODAE. The Agency has a repository of all Agency policies and procedures that are part of the Agency's PPMs. This allows all employees to view all developed and implemented guidance for the Agency.

Internal Procedures and Technical Guides

ODAE also had not fully developed its internal procedures and technical guides in a specific detailed and consistent manner. Additionally, many of these internal procedures and technical guides remain in draft. ODAE officials stated that the office's primary policy is its desk procedures, last updated in July 2022. The document is identified as a draft and lacks specific detail. Specifically, the draft desk procedures, which are titled "ODAE Desk Procedures Summary – Economic Analysis, Policy Analysis, and Evidence Act" is a three-page chart that contains four columns and ten rows. The four columns represent ODAE responsibilities including (1) economic analysis, (2) quarterly economic reports, (3) policy analysis, and (4) policy implementation. ODAE officials explained that the policy implementation column is in reference to the Evidence Act. The rows in the table identify processes. The rows include categories such as "when performed," "how performed," "analyst's role and responsibility," "supervisor's role and responsibility," and "director's role and responsibility." The boxes on the chart provide an explanation related to the corresponding rows and columns; however, the boxes contain generally only one or two sentences with very little detail.

The OIG also reviewed ten individual procedures provided by ODAE. Generally, the procedures provided extensive detail on the technical work performed by staff. Frequently, the procedures contained screenshots combined with narrative descriptions of individual responsibilities in order to reinforce the principles. However, the procedures generally lacked consistency in form. Some procedures did not contain the office director's signature or issuance date or were labeled as draft. Another procedure was in the form of a slideshow presentation.

In addition, the OIG determined that while ODAE conducted supervisory review on a number of its products, ODAE lacks a written supervisory review policy. ODAE officials stated that supervisory review guidance was included in their draft desk procedures. However, the desk procedures lacked detail including when and how often the reviews would take place and the procedures for documenting the review.

Pandemic Impact

Four months after ODAE was created, the Coronavirus Disease 2019 global pandemic severely impacted the global economy and changed the ordinary course of business throughout the United States. This meant that the newly created office was forced to work in a completely virtual environment with priorities that were not previously contemplated, such as analyzing data on the

potential impacts of the pandemic on FCA's operating status, both in McLean and in all the field offices, and on the agricultural industry, such as meatpacking facilities. ODAE reported its research and analytical results to FCA leadership, playing an important role in the Agency's Emergency Response Team. Analyzing the effect of the pandemic on FCA's operations and the agricultural industry became the highest priority for ODAE, which resulted in the office not prioritizing the documentation of office policies and procedures.

Impact

Since the creation of ODAE in late 2019, FCA has invested significant resources in its operations. Over the three plus years of its existence, ODAE's budget and staff both have significantly increased. Thus, it is vital that the Agency further define ODAE's responsibilities so that the office operates in an effective and efficient manner. By not updating policies and procedures to explain the responsibilities of ODAE and how it can best work with other FCA offices, important requirements and milestones are at risk of not being met and other FCA offices are at risk of having to undertake or duplicate ODAE's responsibilities. Written policies and procedures that explain the responsibilities of ODAE, including how the office selects and assigns projects, tracks milestones, and outlines priorities, will ensure clear information is communicated and improve the effectiveness of ODAE's support services.

Recommendations

To improve clarity on ODAE's responsibilities and requirements:

1. The Office of Inspector General recommends the Farm Credit Administration develop policies and procedures for the Office of Data Analytics and Economics, including the office's roles and responsibilities, reporting requirements, and coordination with other Farm Credit Administration offices.
2. The Office of Inspector General recommends the Farm Credit Administration evaluate and formalize plans for the Climate Risk Task Force. This includes clarifying the Climate Risk Task Force project management details, such as current milestones and deliverables, and communicating roles and responsibilities to applicable parties.
3. The Office of Inspector General recommends the Office of Data Analytics and Economics standardize its internal policies and procedures and technical guidance, including documenting supervisory review processes.
4. The Office of Inspector General recommends the Office of Data Analytics and Economics evaluate, formalize, and communicate the Data Advisory Group's roles and responsibilities and revise internal policies and procedures to document the group's processes.
5. The Office of Inspector General recommends the Office of Data Analytics and Economics design a mechanism to provide support services and increase coordination and collaboration with other Farm Credit Administration offices.

FCA Response

FCA management agreed, or partially agreed, with the five recommendations. Specifically, FCA leadership will develop and/or amend existing policies and procedures, and other key agency-level guidance, to more clearly document ODAE's roles and responsibilities, required reporting, and expected coordination with other FCA offices. FCA will also clarify project management details for the Climate Risk Task Force to include milestones and deliverables as well as roles and responsibilities.

ODAE formalized its processes and procedures to provide greater consistency across documentation and organized them in a searchable format. Additionally, ODAE included details of coordination and collaboration processes in policies and procedures, to include additional, regular meetings between ODAE leadership and other key FCA offices. Finally, ODAE updated its DAG policy to include the memorialization of key decisions; created an internal webpage to enhance DAG collaboration, communication, and awareness among participants; and will update the DAG charter.

Management estimated the corrective actions will be completed by March 2024.

OIG Response

The OIG finds the actions responsive to our recommendations. Management agreed with recommendations 1, 2, 3, and 4. Although management only partially agreed with recommendation 5, the actions completed by ODAE address the weaknesses found in our report. Further, due to the corrective actions implemented over the course of the audit, the OIG considers recommendations 3 and 5 closed.

The OIG held an exit conference with FCA personnel on June 9, 2023.

Management comments can be found in the subsequent section of the report.

MANAGEMENT COMMENTS

Memorandum

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



June 6, 2023

To: Wendy R. Laguarda
Inspector General

From: Vincent G. Logan
Chairman and Chief Executive Officer

Subject: Response to the Office of Inspector General's draft audit report titled, Farm Credit Administration's Office of Data Analytics and Economics

This memorandum is in response to the draft audit report from the Office of Inspector General (OIG), dated May 10, 2023, and titled Farm Credit Administration's Office of Data Analytics and Economics.

The draft audit report included recommendations for the Farm Credit Administration (FCA or agency) to improve how the agency has defined and documented the roles and responsibilities of the Office of Data Analytics and Economics and how the agency has evaluated and formalized plans for the Climate Risk Task Force (i.e., recommendations 1 and 2).

As the Chairman and Chief Executive Officer of the FCA, it is my intention that the agency remains responsive to the recommendations of the OIG. Since joining the board in October 2022, good governance has been, and continues to be, one of my highest priorities. In addition, I firmly uphold the importance of accountability. Finally, I reaffirm my commitment, as well as that of the agency, to the achievement of the FCA's mission.

That said, a strong framework of internal controls remains critical. Accordingly, FCA leadership agrees to take corrective actions to address recommendations 1 and 2 identified by the OIG in this audit.

Thank you for the opportunity to respond to this report.

Memorandum

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



June 6, 2023

To: Wendy R. Laguarda
Inspector General

From: Jeremy M. D'Antoni
Director and Chief Data Officer

Subject: Response to the Office of Inspector General's draft audit report titled, Farm Credit Administration's Office of Data Analytics and Economics

The draft audit report includes three recommendations for ODAE to address. The first of these recommends that ODAE standardizes its internal policies, procedures, technical guidance, and documentation of supervisory review. We have implemented corrective action on this item with procedures that have been reviewed and signed by the ODAE Director. We have provided these to the OIG for review. While many processes and controls had been documented prior to the audit, we have since made them more consistent across topics and better organized for use by staff. We have implemented additional items recommended by the OIG during the process, and we appreciate the guidance received from auditors.

The OIG also recommended that ODAE evaluate, formalize, and communicate the Data Advisory Group's (DAG) roles and responsibilities and revise internal policies and procedures to document the group's processes. ODAE has taken steps for corrective action where appropriate. Our process and procedures now include additional documentation, particularly for recording key decisions. We have also created an internal webpage to enhance collaboration, communication, and awareness among participants. Additionally, we are updating the Data Advisory Group Charter where appropriate.

Finally, the OIG recommended that ODAE design a mechanism to provide support services and increase coordination and collaboration with other FCA offices. ODAE has taken steps for corrective action where appropriate. We have more fully described our coordination and collaborative process in our policies and procedures. We have also established and documented the addition of new regular meetings between ODAE leadership team and other key offices to further enhance our cross-office communication and collaboration.

ODAE remains committed to maintaining strong controls and continue to be responsive in promptly addressing the recommendations of the OIG. Thank you for the opportunity to comment on the report recommendations.

ACRONYMS

CDO	Chief Data Officer
CEO	Chief Executive Officer
CIO	Chief Information Officer
COO	Chief Operating Officer
DAG	Data Advisory Group
FCA or Agency	Farm Credit Administration
FCS or System	Farm Credit System
FY	fiscal year
ODAE	Office of Data Analytics and Economics
OE	Office of Examination
OGC	Office of General Counsel
OIT	Office of Information Technology
OIG	Office of Inspector General
OMB	U.S. Office of Management and Budget
ORP	Office of Regulatory Policy
PPM	Policies and Procedures Manual
YBS	young, beginning, and small farmers and ranchers



Farm Credit Administration
Office of Inspector General

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