

January 5, 1999

The Honorable Marsha Pyle Martin
Chairman and Chief Executive Officer
Farm Credit Administration
McLean, Virginia

Dear Ms. Martin:

We have completed our evaluation of the Farm Credit Administration's (FCA or Agency) Specialization/Certification Programs. Our objective was to evaluate the Agency's programs for developing effective and credible subject matter experts.

The Agency's programs for developing effective and credible subject matter experts have generally been successful. However, we identified opportunities to enhance the Agency's programs by: (1) creating rotational assignments to broaden the experiences of Capital Markets Specialists and Information Systems Examiners; (2) establishing service commitments as a condition of participation; (3) performing cost benefit analyses to support maintaining these subject matter experts in-house; and (4) improving the Agency's training database so that management information is complete and reliable.

This audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General for audits of Federal organizations, programs, activities, and functions. Fieldwork was conducted from June 1998 to August 1998 at FCA headquarters in McLean, Virginia. An entrance conference was held on June 4, 1998. A draft of this report was provided to management on October 14, 1998 and their written response is included.

Respectfully,

Eldon W. Stoehr
Inspector General

BACKGROUND

The Farm Credit Administration (FCA or Agency) is an independent Federal financial regulatory agency of the United States government with regulatory, examination, and supervisory responsibilities for the Farm Credit System (System) banks, associations, and related institutions that are chartered under the Farm Credit Act of 1971, as amended.

The FCA employs individuals with a variety of skills to perform the functions required to fulfill its mission. In most cases, employees are trained as generalists within their occupational series. However, the Agency has identified a number of functional areas in which it believes that subject matter specialists are needed to supplement the generalists. The Agency's usual course of action has been to provide specialized training to generalists to develop their expertise in these select areas. In many instances, this training objective has included professional certification to increase the credibility of those individuals. Internal and external programs have been used for the training to develop various subject matter expertise.

The vision of the FCA Board is that the Agency will be viewed as the premier regulator of financial institutions. The quality and credibility of FCA staff members is essential to fulfilling that vision.

OBJECTIVES, SCOPE AND METHODOLOGY

The objective of this audit was to evaluate the Agency's programs for developing effective and credible subject matter experts. Our review identified all specialization/certification programs that exist within the Agency through a review of Agency documents and interviews with staff. We also documented the procedures for selecting individuals to participate in these programs as well as specific program operating parameters. Further, we documented the costs associated with staff development and identified any service commitments required from participants to protect the Agency's investment. Finally, we surveyed System officials to obtain their views on the credibility of FCA subject matter specialists.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

System officials believe FCA's Information Systems (IS) Examiners and Capital Markets Specialists (CMS) would be more effective if they had more practical experience in actual operations.

We interviewed the Chief Financial Officer and Chief Information Officer at each of the eight System banks. Their aggregate view is that the Agency's IS and CMS subject matter specialists are average but generally improving. We asked these officials to rate the two programs on a scale of 1 to 10 (10 being the best) and to provide reasons for their ratings. The composite rating was a 6.4 for the IS program and a 6.3 for the CMS program. Discussions of the reasons for these ratings produced a common theme that the lack of practical experience possessed by the

Agency's specialists in each subject matter area limited their effectiveness. Comments centered on the fact that the programs had developed individuals who were technically proficient but without the perspective or practical understanding that comes from "real world" involvement in actual operations. Comments often included the opinion that programs had been improving as Agency personnel gained experience in examination of the respective areas; however, this added examination experience could not fully substitute for practical experience in operations.

The Agency's Information Resources Division (IRD) is an operational setting from which IS examiners could obtain practical operating experience by rotating them through IRD. This possibility has been tentatively discussed between the Office of Examination (OE) and IRD. Also, rotations of IRD operations staff to IS examinations would provide an opportunity for job enrichment for those individuals while enhancing the practical operations perspective for IS examinations. A program to augment the practical knowledge base of the CMS program is needed as well to address the concerns elevated by the survey.

Recommendations

1. The Agency should provide operations experience for IS examiners. This practical experience could be developed through a program of rotational assignments between the Agency's IRD and OE's Information Systems examination.
2. The Agency should research and develop a program to obtain practical operations experience for its CMS.

We identified nine certification/specialization programs within the Agency.

There were nine certification/specialization programs active within the Agency during the past two years. These programs developed staff beyond the general professional skills and knowledge level with the Agency investing substantial training funds (over \$1,000) and on-the-job study/training or specialized in-house class(es).

Agency offices vary in the method of selecting individuals to be developed as subject matter experts. OE uses a competitive process to select IS examiners and CMS. However, other offices respond to requests submitted as a part of an employee's individual development plan to approve participation in certification/specialization programs. The following is a listing of these programs together with some descriptive information about each one.

Certified Information Systems Examiner. This internally administered program includes 11 Agency participants in a three-year program. The Agency allocates \$2,500 per year, per participant for external training, pays for annual Federal Financial Institutions Examination Council sponsored conferences, and provides for 32 weeks of specifically designated on-the-job training over the course of the program. The Agency pays the tuition for the Certified Information Systems Auditor Review Course and the Certification Examination (including one retake if necessary). The Agency also bears the cost of associated travel and the salary cost for official time used for training/development activities.

Capital Markets Specialist. There are 12 participants in this internally administered program, which takes from one to five years to complete, depending on the participant's prior knowledge and experience. FCA allocates \$2,500 per year per participant for outside training, provides extensive on-the-job examination training, formal in-house sponsored conferences, and bears the cost of associated travel and salary costs for official time used for these training/developmental activities.

Chartered Financial Analyst. This is an externally administered three-year program involving four Agency participants. Each participant is allocated \$1,500 per year for outside self-study training and a review course. The Agency bears the cost of associated travel and, in some instances, provides official time for the review course.

Senior Executive Service Candidate Development Program. This is an externally administered program with one Agency participant. There are \$6,500 in training costs as well as travel costs borne by the Agency.

Certified Public Accountant. This is an externally administered program with two Agency participants. There is a review course cost of \$1,500 per participant.

Microsoft Subject Matter Expert. This is an externally administered program with five Agency participants. Costs incurred include \$4,000-\$5,000 for tuition per participant, as well as accompanying travel and salary.

Microsoft Network Subject Matter Expert. This is an externally administered program with two Agency participants. Costs incurred include \$5,000-\$6,000 for tuition per participant, as well as accompanying travel and salary.

Powerbuilder Developer Subject Matter Expert. This is an externally administered program with two Agency participants. The participants use these skills to improve the Agency utilization of Powerbuilder computer software. Costs incurred include \$4,000 for tuition per participant, as well as accompanying travel and salary.

Lotus Notes Developer Subject Matter Expert. This is an externally administered program with three Agency participants. Costs incurred include \$1,100-\$3,600 for tuition per participant, as well as accompanying travel and salary.

The Agency is developing a comprehensive skills inventory which should provide the rationale and criteria for staff development decisions.

The Agency has minimal procedures to secure investment in these programs.

FCA has experienced minimal loss of subject matter experts. Nevertheless, the Agency currently has done little to assure that these subject matter experts are retained to serve the identified

Agency needs. This concern level is heightened as subject matter expertise is becoming more highly valued in the current employment marketplace. The Agency does have a service retention policy for participants that attend non-government training in excess of 80 hours. Its main protective elements are as follows;

- Upon completion of the Government-sponsored training, if salary was received during the training period, each individual is obligated for continued service to the Agency for three times the length of the training period.
- Individuals who are not provided official time for their training are obligated to the Agency for a period equal to the length of the training but in no case less than one month.
- Voluntary departure from the Agency before these respective periods results in reimbursement to the Agency for tuition and related fees, travel and other special expenses (excluding salary) paid in connection with the training.

The bulleted information (above) offers a minimal safeguard from employees selling their Agency-developed skills to other employers. By comparison, private industry often contractually requires that employees reimburse the company for educational/training financed by the company unless they remain with the company for a year or more.

One alternative to developing in-house subject matter experts would be to contract with outside subject matter experts to perform these tasks. However, an analysis of alternatives has not been made. A cost benefit analysis would be valuable to either confirm present practices or identify potentially less expensive or more effective alternatives. Using outside sources would address the limited protection provided by the current Agency policy regarding service retention of program participants as well as the tepid nature of the System's comments relative to the Agency's subject matter specialists in the CMS and IS programs.

Recommendations

3. The Agency should revise its policy to establish reasonable service requirements for individuals participating in costly subject matter specialist development programs to ensure the Agency retains adequate skills available to meet its needs.
4. The Agency should perform a formal analysis to provide adequate support for its decision to invest in developing in-house subject matter experts versus contracting for such expertise.

The Agency's training database maintained by the Human and Administrative Resources Division on Oracle is incomplete and inaccurate.

The Agency's database for tracking training courses and costs is not complete. We also found numerous input errors regarding training courses and data regarding travel costs related to training. Human and Administrative Resources Division personnel indicated that the data for training costs were only entered into the database when that data was supplied by the Agency

personnel involved in the training activities. In many instances this information was not supplied. We found inaccuracies in the database including: duplicate entries for training courses for several individuals; training course costs entered in the travel cost section of the database without corresponding training course costs entered; and training records that did not include all training taken.

The training database in its current state is unreliable and its use could contribute to flawed management decisions. A complete and accurate database would be useful to Agency management for a number of employee training and staffing purposes.

Recommendation

5. The Agency's training database should be maintained in a reliable and complete manner or eliminated.

MANAGEMENT RESPONSE

Memorandum

Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102-5090

December 18, 1998

To: Eldon W. Stoehr
Inspector General

From: Donald P. Clark, Director
Office of Resources Management

Subject: Management's Response to Audit 98-04
Specialization/Certification Programs

We thank you for the exit conference to address the recommendations in the report. This response reflects the substantial agreement and proposed actions we discussed to ensure prudent investment of resources to develop and retain essential employee skills within FCA. Management believes that investment in human capital and skills of our staff are a key strategy to ensure that FCA, as the premier regulator, has the best people, best practices, and best products.

Recommendation #1: "The Agency should provide operations experience for IS examiners. This practical experience could be developed through a program of rotational assignments between the Agency's IRD and Office of Examination's (OE) Information Systems examination."

Response: Agree. Assigned to OE, Tom Holland, action plan due February 28, 1999.

Practical experience opportunities are under consideration for IS examiners and will be incorporated into the IS program. The Office of Examination will develop a list of providers, objectives and time horizons for developing operations experience and industry networks on technical matters. To the extent possible, we will also do the necessary cost/benefit analysis when evaluating any opportunities.

Recommendation #2: "The Agency should research and develop a program to obtain practical operations experience for its CMSs."

Response: Agree. Assigned to OE, Tom Holland, action plan due February 28, 1999.

OE will research practical experience opportunities for CMS examiners and incorporate into the CMS Certification Program. The Office of Examination will develop a list of providers, objectives and time horizons for developing operations experience and industry networks on capital market matters. To the extent possible, we will also do the necessary cost/benefit analysis when evaluating any opportunities.

Recommendation #3: "The Agency should revise its policy to establish reasonable service requirements for individuals participating in costly subject matter specialist development programs to ensure the Agency retains adequate skills available to meet its needs."

Response: Agree. Assigned to ORM, Phil Shebest, PPM revision due February 28, 1999.

One industry benchmark for keeping employees' skills current in today's rapid change environment is \$7,000 average per employee. FCA management is considering retention and reimbursement guidelines for annual tuition expenditures above \$7,000 per employee.

Recommendation #4: "The Agency should perform a formal analysis to provide adequate support for its decision to invest in developing in-house subject matter experts versus contracting for such expertise."

Response: Agree. Assigned to ORM HARD, Phil Shebest, PPM revision due February 28, 1999.

Good business practices dictate using resources wisely and ensuring return on investment in subject matter expertise. We believe a reasonable threshold for a formal cost/benefit analysis is a total investment greater than \$25,000 for a specific set of high cost expertise or skills.

Recommendation #5: "The Agency's training database should be maintained in a reliable and complete manner or eliminated."

Response: Agree. Assigned to ORM HARD, Phil Shebest, action plan due March 31, 1999.

We agree that an accurate training database would be a valuable tool for management. A study will be performed to determine common requirements and controls to improve reliability. The approved design will be forwarded to the Information Resources Management (IRM) Operations Committee for inclusion in the Agency IRM Plan.

Copy to: James R. Ritter
Audit Follow-up Official

**OIG REPORT
USER RESPONSE QUESTIONNAIRE**

Report Title: FCA's Specialization/Certification Programs

Number: A98-04

Respondent's Name:

Telephone:

Respondent's Office:

Today's Date:

	Strongly Agree				Strongly Disagree
<i>Quality of the Work and Report</i>	Circle the number that best describes your response to the question.				
1. The report clearly indicates what areas were reviewed.	5	4	3	2	1
2. The report was clear, logical and understandable.	5	4	3	2	1
3. The recommendations, if any, were appropriate to the conditions and are achievable.	5	4	3	2	1
4. The OIG staff writing this report were professional, knowledgeable and objective.	5	4	3	2	1

Relevance to Your Work

1. The report was timely for your purposes.	5	4	3	2	1
2. The areas addressed in the report were of concern to your office.	5	4	3	2	1
3. Your comments, if any, were fairly stated and adequately addressed.	5	4	3	2	1

Please add any explanatory comments here, particularly for those rated 1 or 2: (Use an additional sheet if necessary.)

Please return this form to:

FCA Office of Inspector General
1501 Farm Credit Drive
McLean, VA 22102

If you would like to discuss your responses with the Inspector General, check the box and

Be sure to include your telephone number at the top of this form or call us on 703/883-4030.