

OFFICE OF
INSPECTOR GENERAL

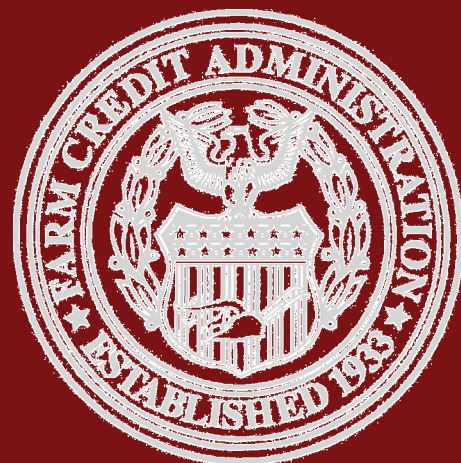
Audit Report

Audit of FCA's
Training and Conference Expenses

September 22, 2014

A-14-01

Tammy Rapp
Auditor-in-Charge



FARM CREDIT ADMINISTRATION

Memorandum

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



September 22, 2014

The Honorable Jill Long Thompson, Board Chair
The Honorable Kenneth A. Spearman, Board Member
The Honorable Leland A. Strom, Board Member
Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102-5090

Dear Board Chair Long Thompson and FCA Board Members Spearman and Strom:

The Office of the Inspector General completed an audit of FCA's Training and Conference Expenses. The objectives of this audit were to determine the effectiveness of controls related to training, conferences, and related travel expenses.

The results of our evaluation revealed FCA has effective controls over training and conference expenses. However, the Office of Management Services agreed to improve the Training Program in the following areas:

1. Update policies and procedures governing training and conference expenses
2. Strengthen controls over the Training Program to ensure compliance with agency policies and procedures.

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

Respectfully,

A handwritten signature in black ink, which appears to read 'Elizabeth M. Dean', is written over a light blue horizontal line.

Elizabeth M. Dean
Inspector General

Enclosure

Audit of FCA's Training and Conference Expenses



Report #A-14-01

Farm Credit Administration
Office of Inspector General

September 22, 2014

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Executive Summary

FCA's mission as a financial regulator is to ensure a safe, sound, and dependable source of credit and related services for agriculture and rural America. FCA provides training opportunities to its employees to enhance the performance of their official duties. In fiscal year 2013, FCA reported training and conference expenses of \$554,927 for its 294 employees.

FCA has effective controls over training and conference expenses.

Our audit of FCA's Training Program revealed:

- ▶ Policies and procedures issued are consistent with laws and regulations
- ▶ FCA has multiple sources of training data
- ▶ Actual expenses were significantly less than budgeted in FY 2010, 2011, and 2013
- ▶ Actual expenses exceeded budget by approximately \$12,000 in FY 2012
- ▶ Training was consistent with job responsibilities and FCA's mission
- ▶ Most training was approved by 1st level supervisor and Training Officer on electronic Course Registration forms
- ▶ FCA minimized expenses associated with agency sponsored conferences and training

However, the Office of Management Services agreed to improve the Training Program in the following areas:

- ▶ Update policies and procedures governing training and conferences
- ▶ Strengthen controls over the Training Program to ensure compliance with agency policies and procedures

Introduction and Background

FCA's mission as a financial regulator is to ensure a safe, sound, and dependable source of credit and related services for agriculture and rural America.

“FCA encourages the self-improvement and development of all FCA employees by sponsoring training and development opportunities to enhance the performance of their official duties and develop knowledge, skills, and abilities (KSAs) that will enable them to successfully perform present or future responsibilities.” (Policies and Procedures Manual (PPM) 843)

FCA offers its employees a variety of training opportunities that include:

- ▶ Examiner Commissioning Program
 - A multi-year program providing abilities, knowledge, and skills to plan and participate in safety and soundness examinations of FCS institutions
- ▶ External conferences
- ▶ Seminars
- ▶ Higher education courses
- ▶ Agency-wide training events
 - i.e. Retirement Planning, Leadership training

Objectives, Scope, and Methodology

Objective:

- ▶ Determine the effectiveness of controls related to training, conferences, and related travel expenses.

Scope and Methodology:

- ▶ Training and conference expenses
 - FY 2010 - FY 2013
 - Top 5 vendors with largest expenses paid by FCA (FY 2012, 2013)
 - Employee tuition exceeding \$8,000 per year (FY 2012, 2013)
 - Individual training courses exceeding \$5,000 (FY 2012, 2013)
 - Did not review Examiner Commissioning Program
- ▶ Limited review of related travel for training and conferences
 - Top 10 employees with greatest amount spent on travel to training or conferences

Objectives, Scope, and Methodology

- ▶ Performed the following procedures:
 - Identified and reviewed related laws, regulations, and Agency policies and procedures
 - Conducted interviews with current Chief Human Capital Officer (CHCO)/Chief Financial Officer (CFO)/Director Office of Management Services (OMS), Deputy CFO, Training Officer, and other key staff
 - Obtained broad overview of Individual Development Plans (IDP) process and training budget development
 - Obtained understanding of agency-wide training offered in FY 2012 and 2013
 - Identified training and conference expenses
 - Reviewed databases supporting training data
 - Identified and reviewed data for the top 5 vendors paid by FCA for training in FY 2012 and FY 2013
 - Identified employees with course registrations (completed course) over \$8,000 in FY 2012 and FY 2013
 - Identified payments for external training over \$5,000 in FY 2012 and FY 2013
 - Examined documentation supporting training for compliance with applicable policies and procedures
 - Identified travel expenses related to training and conferences
 - Identified and performed limited review of related travel vouchers for top 10 employees with greatest amount of travel expenses
 - Identified significant internal control processes and determined if they were operating effectively

Objectives, Scope, and Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Management is responsible for developing and maintaining effective internal controls. We reviewed internal controls identified as significant to the audit objectives. Additionally, we assessed the reliability of computer processed data relevant to our audit objective and determined the data was sufficiently reliable for purposes of this audit. Internal control weaknesses identified and respective recommendations are presented in this report.

This audit was performed at the FCA Headquarters in McLean, Virginia, from March through July 2014. At the conclusion of this audit, we provided management with a draft report of our observations and held an exit conference on August 28, 2014.

TRAINING PROGRAM – FACTS & FINDINGS

Key Laws & Regulations–Training

- ▶ 5 United States Code (U.S.C.) § 4101(4)
- ▶ Definition of Training:
 - “the process of providing for and making available to an employee, and placing or enrolling the employee in, a planned, prepared, and coordinated program, course, curriculum, subject, system, or routine of instruction or education, in scientific, professional, technical, mechanical, trade, clerical, fiscal, administrative, or other fields which will improve individual and organizational performance and assist in achieving the agency's mission and performance goals ...”
- ▶ Chapters 41, 57 and 59 of title 5 U.S.C., and section 410 of title 5 of the Code of Federal Regulations (CFR) are referenced in FCA’s policy.
 - § 410.201 requires the head of the agency to establish and budget for a training program for employees.
 - § 410.302 directs the head of the agencies to submit training requests to OPM for approval
 - § 410.306 directs agencies to establish criteria for fair and equitable selection for training
 - § 410.308 provides conditions for training leading to an academic degree
 - § 410.309 provides for continued service agreements
 - § 410.403 provides for reimbursement of related travel expenses associated with training
 - § 410.404 describes conferences that are considered training activities and sets forth specific requirements in order for a conference to be considered training

FCA Policies–Training Program

PPM 843–Training, Development, Professional Certifications, Licenses and Membership Fees

- ▶ Provides policy and procedures for FCA’s Training Program
- ▶ Authority based on Title 5: CFR, Section 410
- ▶ No significant differences identified between PPM 843 and Section 410
 - Policy issued 9/13/2006; Implementing procedures issued 2/4/2012

PPM 843 Attachment: FCA’s Agreement to Continue Service After Training

- ▶ Required service agreement when training exceeds defined thresholds
 - If exceeds 80 hours of training for one course, employee will “...serve the agency for 3 times the length of the training.”
 - If exceeds \$7,000 tuition for training on a particular subject matter in any given 12 month period, employee will “...agree to serve the agency for 1 year after the completion of the training.”
 - Note: Discrepancy identified in PPM 843 states threshold is \$10,000.
 - Issued 5/14/2003

Administrative Handbook #25

- ▶ FCA Training Request and Training Tracking Procedures
 - Issued 10/18/2006

FCA Policies – Training Program

We identified the following differences within FCA’s policies and procedures:

Differences within FCA policies and procedures	PPM 843	PPM 843: Attachment	Administrative Handbook #25
Training requests requiring Chairman approval	>\$10,000		>\$3,000
Employee agrees to continue service with FCA for 1 year after completion of training	\$10,000 tuition on a subject in a 12 month period	Training expenses exceeding \$7,000 on a subject in a 12 month period	
If employee voluntarily leaves FCA before completing service agreed	Employee reimburses FCA for tuition paid	Employee reimburses FCA for tuition and related fees, travel, and other special expenses	

See Agreed-Upon Action #1.

Training and Conference Expenses

FCA provides training to its employees to support its mission and enhance the knowledge, skills, and abilities needed to perform the job.

FCA has multiple sources of training budget and expense data:

- ▶ **Individual Development Plans (IDP)**
 - Used to document training needs identified by employee and supervisor
- ▶ **Budget**
 - Summary of estimated training expenses budgeted by each office (9)
- ▶ **Course Registrations – Tuition**
 - Used to document external training requests and approvals
 - Data represents external tuition costs identified on Course Registrations completed and attended by employee
 - Not all courses attended or paid for by FCA had course registration forms
 - Does not include agency-wide training
 - Course registration records over a “couple years old” that did not have Training Officer approval were deleted by current Training Officer. Record retention policies do not specifically address training records.
 - See Agreed-Upon Action #3
- ▶ **Actual Training Expenses and Obligations (see Slide 15)**
 - Identified in accounting system
 - Includes external and internal training expenses
 - Data provided does not reflect items that were adjusted in a subsequent fiscal year

Training and Conference Expenses

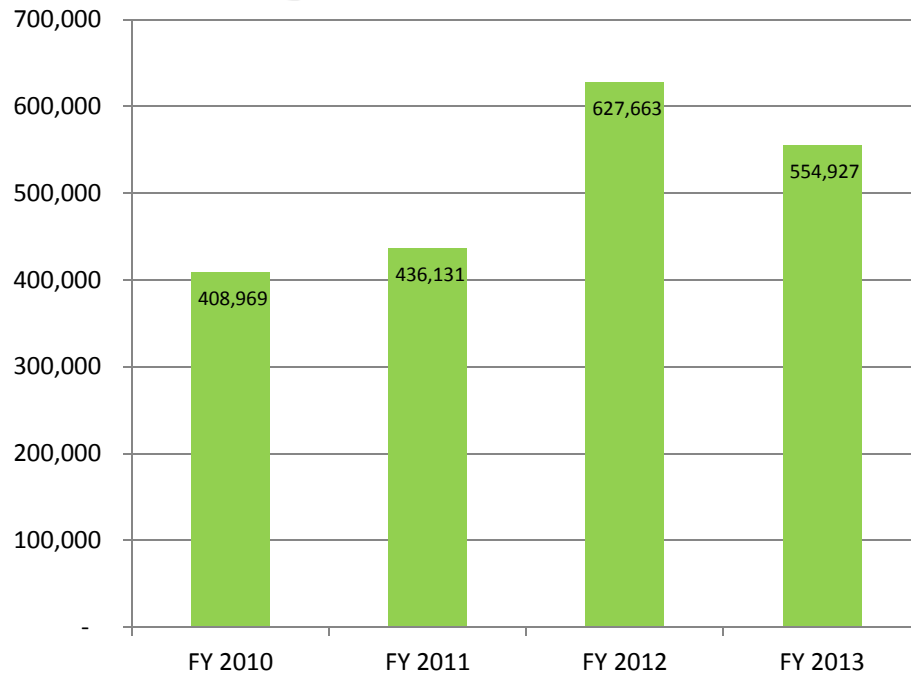
We compared the multiple sources of training data.

Fiscal Year	FTE	IDP	Budget	Course Registrations	Actual Expenses
2010	287	\$883,675	\$747,470	\$241,788	\$408,969
2011	297	775,198	682,938	218,342	436,131
2012	280	843,561	615,299	308,695	627,663
2013	294	909,484	676,009	368,187	554,927

More detail regarding this data presented in following slides.

Note: FCA does not routinely calculate or report training expenses. The above was identified for the purpose of this audit.

Training and Conference Expenses-Actual



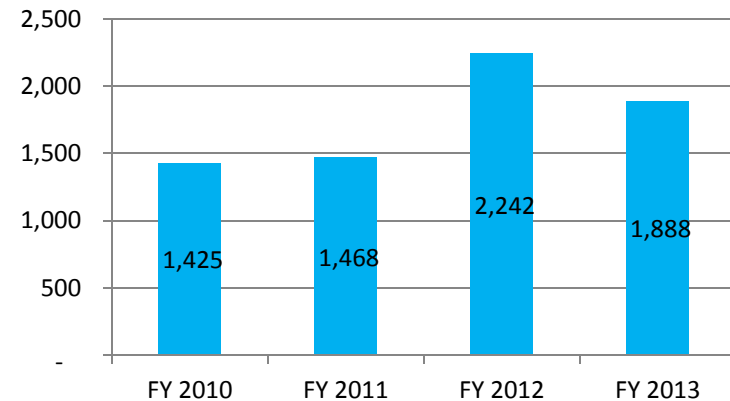
Both charts contain items that were corrected in subsequent fiscal years and inflate dollars presented.

Subsequent Adjustments:

Data reflects report from Finance Team and does not reflect adjustments made in a subsequent fiscal year:

FY 2012 CIO Membership s/b consulting	47,320
FY 2012 OPM Survey s/b consulting	- 8,000
FY 2012 Duplicate OPM FEI purchase order	-19,500
	- amount tbd

Average Training Expenses per Employee



IDP Process and Budgeting

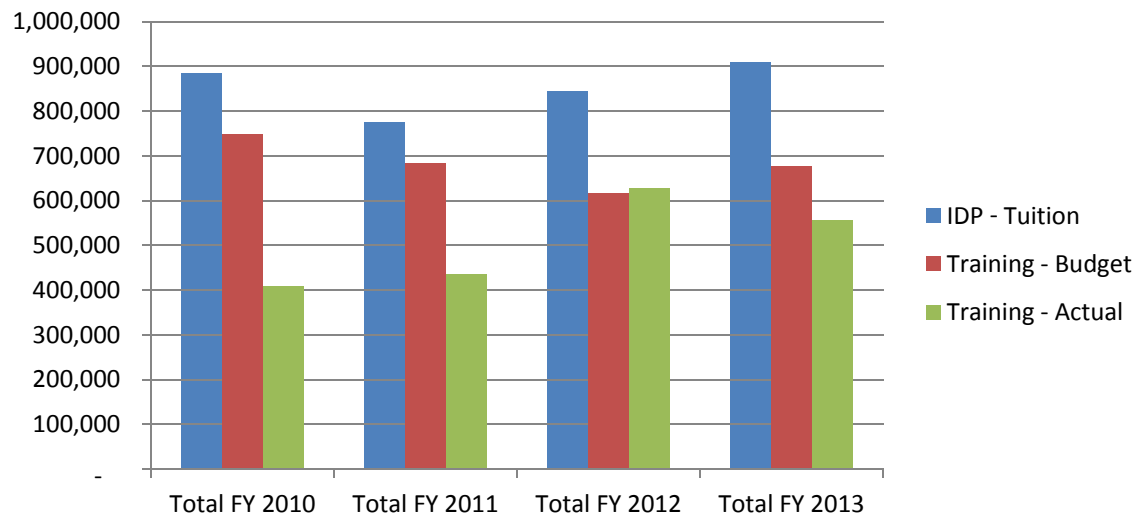
- ▶ FCA had a formal process for IDPs
 - Used by most offices to document employee training and developmental needs
 - Some offices did not complete IDP or used inconsistently

- ▶ FCA is reevaluating the IDP process in conjunction with hiring a Learning Officer
 - Tasked to “develop an integrated learning and performance management strategy to develop and retain a highly skilled workforce”

- ▶ Agency budget for training
 - Based on each office’s annual budget
 - Most offices used IDP as basis for budget
 - Some offices used historical trends

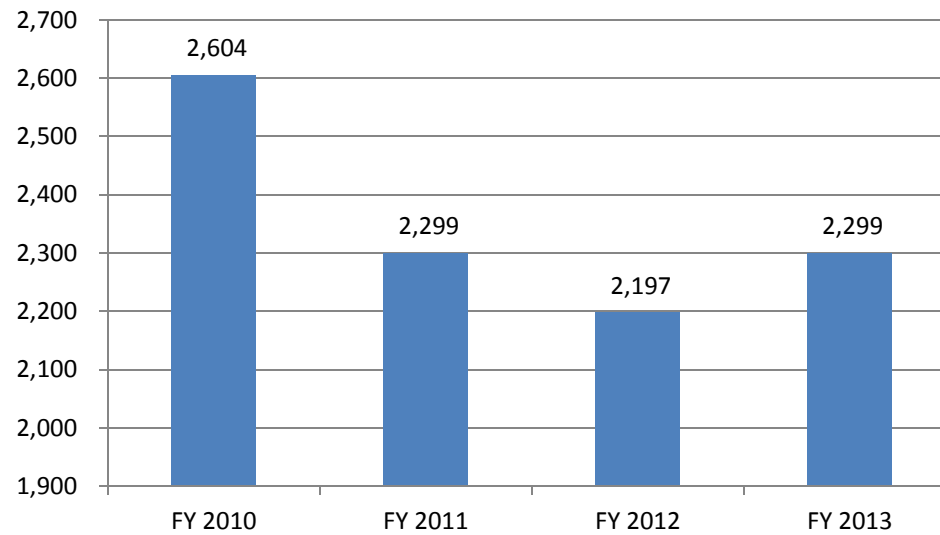
Comparison of IDP, Training Budget, and Actual Training Expenses

- ▶ Significant differences between IDPs, training budget, and actual training expenses
 - IDPs appear to be an overestimation of training needs identified by employees and supervisors
 - Offices budgeted less than IDPs
- ▶ Actual expenses were significantly less than budgeted in FY 2010, 2011, and 2013
 - Actual training expenses exceeded budgeted by approximately \$12,000 in FY 2012

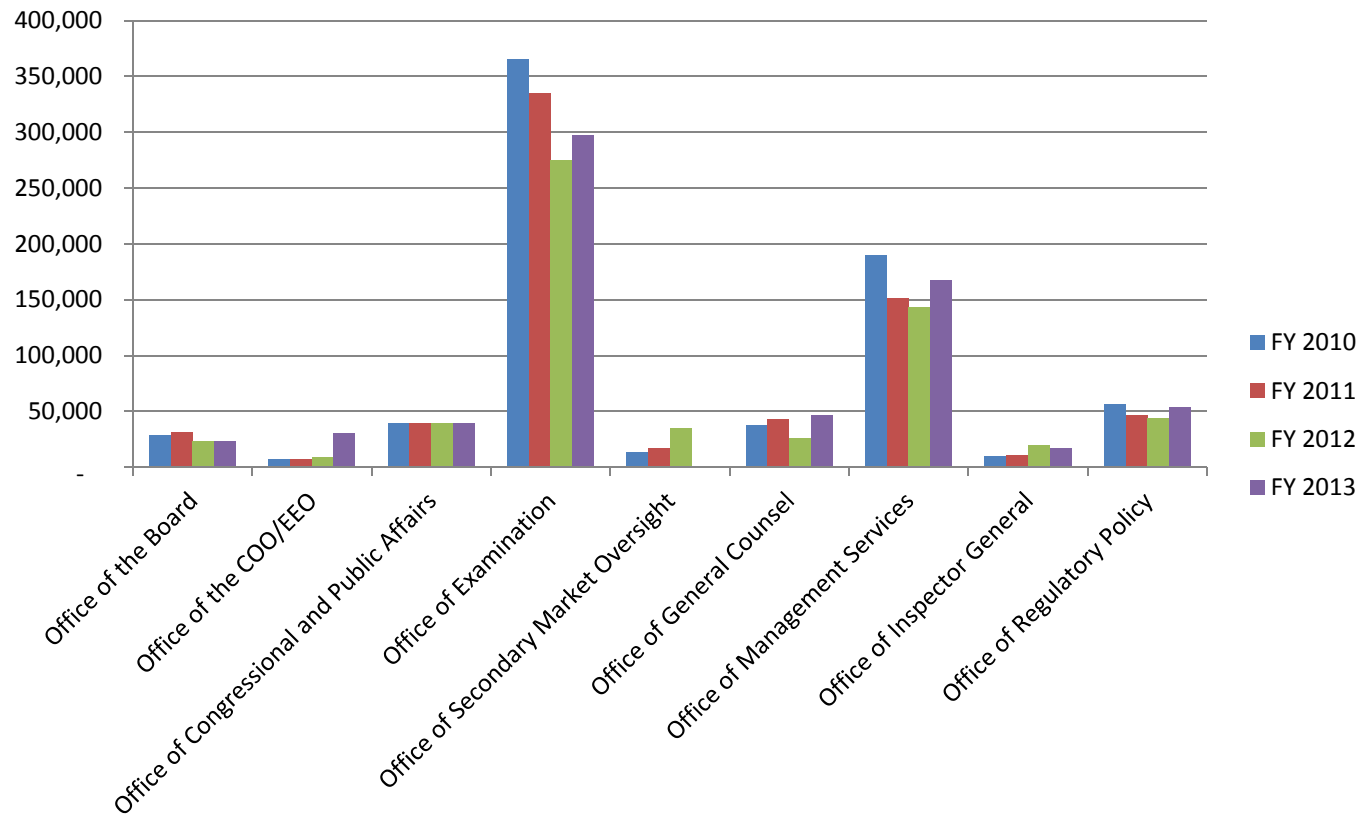


Training Budget

**Training Budget
Average Per Person**



Training Budget by Office



- ▶ Office of Examination and OMS had largest training budget.
 - In FY 2013, FCA had 294 FTE. OE had 177 FTE. OMS had 50 FTE.
- ▶ In FY 2013, Office of Secondary Market Oversight accidentally combined \$20,950 training expense with consulting, instead of budgeting separate for training.

Training Expenses – Top 5 Vendors

Reviewed top 5 vendors with largest training expenses paid for by FCA in FY 2012 and FY 2013

- ▶ Course offerings consistent with FCA's mission
- ▶ Compared actual training expenses to course registrations
- ▶ Identified several variations with data
- ▶ Some differences accounted for:
 - \$47,320 in consulting was charged to training during FY 2012 and corrected in December 2012
 - \$19,500 for duplicate purchase order corrected in FY 2013
 - Agency-wide training courses and materials were not included in course registrations
 - Some purchase orders not entirely used during the FY and carried over
- ▶ Improvements need to be made to ensure accurate and reliable training and expense data
 - \$8,000 for an OPM employee survey was charged to training during FY 2012
 - Some training expenses did not have course registration forms
 - See Agreed-Upon Action #2

FY 2013 data included \$91,557 that should be partially charged to consulting. OMS plans to split this expense between training and consulting when the amount is determined at the end of FY 2014.

See Slide 15 regarding subsequent adjustments.

Employees with training over \$8,000

- ▶ From our review of training expenses for employees with training over \$8,000 during FY 2012 and 2013:
 - External training was related to job responsibilities and FCA mission
 - Most external training completed was identified on employee's IDP
 - Course registration form was created and approved by 1st level supervisor and Training Officer for most external training
 - Payment documentation was available and traced back to accounting data
 - Documentation of course attendance was limited to a self evaluation by the employee

- ▶ Controls can be strengthened in a few areas:
 - Some course registration forms were missing, duplicate, or contained incorrect tuition
 - Some course registrations did not have approvals from Office Director and Chairman
 - No independent course documentation was provided to demonstrate attendance, certificate of attendance and/or grades, when applicable
 - No service agreements were obtained
 - Training leading to an academic degree did not have written approvals from Director, OMS and Chairman
 - See Agreed-Upon Action #2

- ▶ Details of exceptions identified during audit follow on next two slides

Employees with training over \$8,000

- FY 2013 – 5 employees
 - Service agreements were not obtained for 4 employees who exceeded annual tuition over \$10,000
 - PPM 843: “Sign FCA Agreement to Continue Service After Training for 80 hours or more for one course or \$10,000 tuition for training on a subject in any given 12 month period”
 - PPM 843 Attachment: “Agreement must be signed when employee projected to receive more than 80 hours training for one course or \$7,000 on a subject matter in 12 month period”
 - 2 employees working on masters degrees with job related courses paid by FCA; academic degree programs not approved by Chairman
 - PPM 843: “Director, OMS in consultation with CEO may authorize training leading to an academic degree when necessary to assist in recruitment or retention in occupations with existing or anticipated shortages of qualified personnel”
 - No grades provided to verify employee successfully completed training
 - PPM 843: “Employee must reimburse FCA for full amount paid if employee fails to successfully complete training (grade of “C” or better)”
 - 1 course missing approval from Chairman (\$19,875)
 - PPM 843: “Chairman reserves authority to prior approve all training requests for tuition that exceed \$10,000”
 - 1 course missing Office Director approval (\$5,600)
 - PPM 843: Office Directors “Prior approve any training tuition over \$5,000 and recommend training tuition over \$10,000”
 - 2 duplicate course registrations (\$1,900, \$2,340)
 - These courses were not paid twice, but had duplicate registrations in the course registration database

Employees with training over \$8,000

- FY 2012 – 6 employees
 - Service agreements were not obtained for 3 employees who exceeded annual tuition over \$10,000 (2 additional employees exceeded annual tuition over \$7,000)
 - 1 employee working on masters degree with job related courses paid by FCA; academic degree program not approved by Chairman
 - No grades provided to verify employee successfully completed training
 - 1 course missing Office Director approval (\$5,035)
 - 1 missing course registration; approved on IDP (\$2,260)
 - PPM 843 requires employees to complete Form 476, an electronic course registration form
 - 1 duplicate course registration (\$5,035)
 - Course was not paid twice, but had duplicate registrations in the course registration database
 - 1 course not attended due to scheduling conflict; course never rescheduled nor tuition has been recovered to date (\$1,220)
 - 1 potential upward mobility program candidate;
 - PPM 811 – Upward Mobility Program; policy issued 10/9/1990, reassigned to OMS 7/20/2009
 - Although OIG concluded this case did not meet specific criteria for upward mobility, FCA needs to consider whether significant training provided to an employee in conjunction with a transfer, reassignment, or change in series meets the intent of the Upward Mobility Program. The Upward Mobility Program was “to provide opportunities for employees to increase their skills, perform at their highest potential, and advance in accordance with their abilities in light of available job opportunities.”

Payments for Training over \$5,000

- ▶ From our review of payments for training expenses over \$5,000 during fiscal year 2012 and 2013:
 - External training was related to job responsibilities and FCA mission
 - Course registration form was created for external training
 - Payments were traced to supporting documentation
 - On 10 occasions, a cardholder exceed their purchase limit for training on the credit card
 - Procurement Controls outlined by the CFO via email 5/25/2012: "...can purchase individual training up to \$5,000 as approved by the training officer."
 - 1st level supervisor and Training Officer approvals were obtained
 - Documentation of course attendance was limited to a self evaluation by the employee
 - A high ranking official attended an \$8,000 course; OPM approval not obtained; no attendance records retained
 - PPM 843: "Obtain approval from the Office of Personnel management for training for the Chairman, per 5 CFR 410.302(c)"

- ▶ Controls can be strengthened in a few areas:
 - A cardholder exceeded their limit for training on the purchase card
 - Written approval from the Office Director was not obtained for training exceeding \$5,000
 - OPM approval was not obtained for training attended by a high ranking official
 - Independent course documentation to demonstrate attendance should be obtained for training over a significant dollar amount

Internal Reporting

PPM 843 contains reporting requirements by the Director, OMS

- ▶ Quarterly – summary of training activities to each Office Director and CEO
- ▶ Annually – report on effectiveness of Training Program as a component of the Human Capital Plan along with the measures of performance for the program
- ▶ “Provide an annual report on the analysis of IDPs, identified training needs, training accomplishments, and plans to COO and Human Capital Steering Group”

Facts and findings:

- ▶ No internal reports prepared for Chairman and CEO, Office Directors, COO, and Human Capital Steering Group
- ▶ Multiple Training Officers within past five years has caused gaps in the Training Program
- ▶ See Agreed-Upon Action #2

CONFERENCES – FACTS AND FINDINGS

Key Laws & Regulations–Conferences

- ▶ Title 41: C.F.R. Part 300–3
 - Definition of conference
 - A meeting, retreat, seminar, symposium or event that involves attendee travel
 - Also applies to training activities that are considered to be conferences under Title 5: C.F.R. Part 410.404

- ▶ Title 41: C.F.R. Part 301–74
 - Provides guidance for planning conferences

- ▶ OMB Memorandum M–11–35, Eliminating Excess Conference Spending and Promoting Efficiency in Government
 - directs agencies, “...to conduct a thorough review of the policies and controls associated with conference-related activities and expenses.”

- ▶ OMB Memorandum M–12–12, Promoting Efficient Spending to Support Agency Operations
 - requires agencies to focus on conference spending, and outlines new policies and practices for conference sponsorship, hosting, and attendance

- ▶ Consolidated and Further Continuing Appropriations Act 2013 and Consolidated Appropriations Act of 2014 (§ 742(a))
 - contain reporting requirements to the Inspector General

FCA Sponsored Conferences

FCA minimized expenses associated with agency sponsored conferences and provided guidance to Office Directors

Primarily to exchange information regarding the examination process and orientation of new employees

- Travel greatest expense

COO issued guidance regarding conference expenses in an email to Office Directors on 7/15/2014

- Defines “conference”
- Provides examples of conferences
- Provides examples of items not considered conferences
- Requires approval and reporting requirements by Office Directors if estimated travel and conference activity costs are \$18,000–\$100,000 in travel and conference activity costs
 - Developed *Conference Request and Approval Form* to facilitate reporting
- Prohibits travel and conference activity costs exceeding \$500,000 without a written waiver by the Agency Head

FCA Sponsored Conferences

Contracts Desk Manual (OMS Directive #4)

- Addresses conference planning
- Follow provisions of FTR to maximum extent possible
- All conferences must be approved by the Director, OMS

OIG Reporting

- OMS reported estimated costs of New Employee Orientation to the OIG in June 2013
 - Estimated costs were \$19,320
 - Largest expense was travel
 - Other costs estimated at less than \$5,000
- Process was developed to ensure reporting to the OIG when applicable

Related Travel Expenses

Limited review of travel voucher summaries for selected employees did not reveal any inappropriate travel expenses related to training

Identified travel expenses associated with training and conferences

- ▶ Purpose classified as training or conference attendance
- ▶ Non-local

Although not a travel voucher audit, performed a limited review of employees with greatest amount of travel expenses related to training and conferences

- ▶ Training related to employees' duties and FCA mission
- ▶ Location appeared to be reasonable

Agreed-Upon Action

1. OMS should update policies and procedures governing training and conferences.
 - Resolve inconsistencies identified in current policies and procedures
 - Strengthen policies and procedures related to training leading to an academic degree
 - Consider higher level approvals for annual employee training exceeding a specific dollar threshold
 - Consider requiring independent course documentation for training exceeding a specific dollar threshold
 - Consider whether a cardholder's purchase card limit for training needs to be increased

➤ *Management Response:*

OMS agreed to determine appropriate thresholds, update policy and procedures, and add increased controls in the approval process for higher cost training.

Agreed-Upon Action

2. OMS should identify and strengthen controls over the Training Program to ensure compliance with agency policies and procedures.

- Ensure all external training paid for by FCA has supporting Course Registration forms
- Ensure proper written approvals obtained from Office Director and Chairman when applicable
- Identify training potentially leading to an academic degree and obtain appropriate approvals
- Obtain service agreements, when applicable
- Create flag in Course Registration database or process to track when an employee exceeds the threshold requiring service agreement or higher approvals
- Obtain course documentation to demonstrate attendance and grades, if applicable
- Seek OPM approval for training attended by the Head of the Agency
- Ensure purchase orders for vendors that provide training and consulting are properly allocated
- Develop a process to ensure required reports related to the Training Program are prepared

➤ *Management Response:*

OMS agreed to implement additional controls to ensure appropriate authorizations and supporting documentation are obtained and maintained. OMS also agreed to implement additional controls to ensure training and consulting costs are appropriately allocated and reporting requirements are met.

Agreed-Upon Action

3. OMS should update policies and procedures related to record retention.
 - Determine a record retention policy for training data and supporting documentation
 - Include an independent verification process before any data or documentation is purged
 - Develop a process to ensure board members training records are included

➤ *Management Response:*

OMS agreed to update record retention policies and institute controls over the training database to ensure independent verification is required before purging documents.

REPORT

Fraud | Waste | Abuse | Mismanagement



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