

**OFFICE OF
INSPECTOR GENERAL**

Evaluation Report

**Information Technology
Benchmarking Study
E-18-01**

**Evaluator
Tammy Rapp**

Issued September 6, 2018



FARM CREDIT ADMINISTRATION

Farm Credit Administration

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



September 6, 2018

The Honorable Dallas P. Tonsager, Board Chairman
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 Board Chairman Tonsager and Board Members Hall and Smith:

The Office of Inspector General (OIG) completed an Information Technology (IT) Benchmarking Study. The objective of this evaluation is to compare the Farm Credit Administration's (FCA or Agency) IT budget and use of other IT contractual services to the other federal financial regulators. This report does not contain any recommendations or agreed-upon actions.

The first part of the study analyzes the Office of Information Technology (OIT) budget and use of contractors over the last three years (2016-2018) and benchmarks the OIT budget against the other FCA office budgets. The second part of the study, as outlined in Appendix A, compares FCA's IT budget, including the use of contractors, to the other federal financial regulators for fiscal year 2018.

Our benchmarking study reveals that the OIT budget has grown at a much higher percentage over the last three years than all other FCA office budgets. The Office of Examination (OE) is FCA's largest office, and OIT is FCA's second largest office. Although OE has six times the full-time equivalents (FTEs) than that of OIT, OE's budget is only three times larger than OIT's. OE's budget is 90% personnel costs. OIT's budget is 60% personnel costs and 25% other contractual services. In addition, over the last three years, the number of FTEs in OIT has also increased at a higher percentage than all other FCA offices. Finally, OIT's use of contractors has greatly increased over the last three years.

Of the benchmarked federal financial regulators, FCA has the smallest overall agency budget, IT budget, and number of employees. However, when compared to the IT budgets of the other federal financial regulators, FCA's IT budget, as a percentage of the Agency's budget, falls in the middle of the benchmarked agencies, and its use of contractors was the lowest of all the other agencies. When reading this study, please keep in mind that the comparisons with the other

agencies were complicated by the different agency missions driving IT costs and differences in items included under each agency's IT budget. Hence, apple-to-apple comparisons were not possible in many cases.

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

Respectfully,

A handwritten signature in blue ink that reads "Wendy R. Laguarda". The signature is written in a cursive, flowing style.

Wendy R. Laguarda
Inspector General

Enclosure



INFORMATION TECHNOLOGY BENCHMARKING STUDY

E-18-01

Objective:

The objective of this evaluation is to compare FCA's IT budget and use of other IT contractual services to the other federal financial regulators.

Agreed-Upon Actions:

This report contains no recommendations or agreed-upon actions.

EXECUTIVE SUMMARY

Information technology (IT) spending, including the use of IT contractors, has increased at the Farm Credit Administration (FCA or Agency) over the past few years. We calculated the levels of increase over the past three years (2016-2108) and compared FCA's IT budget and use of other IT contractual services to the other federal financial regulators for fiscal year (FY) 2018. The other federal financial regulators we benchmarked against included: ¹

- Commodity Futures Trading Commission (CFTC)
- Federal Deposit Insurance Corporation (FDIC)
- Federal Housing Finance Agency (FHFA)
- Board of Governors of the Federal Reserve System (FRB)
- National Credit Union Administration (NCUA)
- U.S. Securities and Exchange Commission (SEC)

Our benchmarking study reveals that the Office of Information Technology (OIT) budget has grown at a much higher percentage over the last three years than all other FCA office budgets. The Office of Examination (OE) is FCA's largest office, and OIT is FCA's second largest office. Although OE has six times the full-time equivalents (FTEs) than that of OIT, OE's budget is only three times larger than OIT's. OE's budget is 90% personnel costs. OIT's budget is 60% personnel costs and 25% other contractual services. In addition, over the last three years, the number of FTEs in OIT has also increased at a higher percentage than all other FCA offices. Finally, OIT's use of contractors has greatly increased over the last three years.

Of the benchmarked federal financial regulators, FCA has the smallest overall agency budget, IT budget, and number of employees. However, when compared to the IT budgets of the other federal financial regulators, FCA's IT budget, as a percentage of the Agency's budget, falls in the middle of the benchmarked agencies, and its use of contractors was the lowest of all the other agencies. When reading this study, please keep in mind that the comparisons with the other agencies were complicated by the different agency missions driving IT costs and differences in items included under each agency's IT budget. Hence, apple-to-apple comparisons were not possible in many cases.

¹ We were not able to obtain comparable data from the Office of the Comptroller of the Currency.

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FCA's FY 2018 budget is \$71,200,000. OIT is the Agency's second largest office with a budget of \$10,214,244. FCA's budget increased 8% from FY 2016 to FY 2018, while OIT's budget increased 20% during the same timeframe.

FCA budgeted for a total of 307 FTEs during FY 2018 which was a 3% increase from FY 2016. From FY 2016 to FY 2018, OIT's FY 2018 budget for FTEs increased 12% from 25 to 28.

A majority of OIT's budget is personnel costs. OIT budgeted \$6,114,429 for personnel costs during FY 2018. The second largest use of OIT's FY 2018 budget includes \$2,511,906 for other contractual services, which increased 48% from FY 2016 to FY 2018. Professional service IT contractors are a large portion of other contractual services. In recent years, OIT significantly increased its use of professional IT contractors to support its staff.

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ACRONYMS

CFTC	U.S. Commodity Futures Trading Commission
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CEO	Board Chairman and Chief Executive Officer
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CIO	Chief Information Officer
COO	Chief Operating Officer
EEOI	Office of Equal Employment Opportunity and Inclusion
Farm Credit Act	Farm Credit Act of 1971, as amended
Farmer Mac	Federal Agricultural Mortgage Corporation
FCA or Agency	Farm Credit Administration
FCS	Farm Credit System
FDIC	Federal Deposit Insurance Corporation
FHFA	Federal Housing Finance Agency
FRB	Board of Governors of the Federal Reserve System
FTE	Full-time Equivalent
FY	Fiscal Year
IRM	Information Resources Management
IT	Information Technology
NCUA	National Credit Union Administration
OCFO	Office of the Chief Financial Officer
OCPA	Office of Congressional and Public Affairs
OE	Office of Examination
OGC	Office of General Counsel
OIG	Office of Inspector General
OIT	Office of Information Technology
OMB	Office of Management & Budget
OSMO	Office of Secondary Market Oversight
SEC	U.S. Securities and Exchange Commission

BACKGROUND

Purpose of Benchmarking Study

Information technology (IT) spending, including the use of IT contractors, has increased at the Farm Credit Administration (FCA or Agency) over the past few years. The purpose of this benchmarking study is to determine the levels of increase over the past three years (2016-2018) and compare FCA's IT budget and use of other IT contractual services to the other federal financial regulators for fiscal year (FY) 2018. The other federal financial regulators we benchmarked against include:²

- Commodity Futures Trading Commission (CFTC)
- Federal Deposit Insurance Corporation (FDIC)
- Federal Housing Finance Agency (FHFA)
- Board of Governors of the Federal Reserve System (FRB)
- National Credit Union Administration (NCUA)
- U.S. Securities and Exchange Commission (SEC)

FCA Background

FCA was created as an independent agency in the executive branch of the U.S. Government by the Farm Credit Act of 1971, as amended (Farm Credit Act).³ FCA is responsible for regulating and examining the Farm Credit System (System) and the Federal Agricultural Mortgage Corporation (Farmer Mac).

FCA ensures that System institutions and Farmer Mac⁴ operate safely and soundly and comply with applicable laws and regulations.

FCA is funded by the institutions it regulates and examines and does not receive any federal appropriation of tax dollars in support of its mission. One of FCA's guiding principles is to operate in a manner that is effective and efficient. FCA strives to balance the costs required to operate the Agency against the benefits it provides to stakeholders without compromising on safety and soundness. Achieving FCA's mission depends largely on its people, practices, and technology. Managing and securing IT is critical in supporting FCA's mission.

IT Recognized as Top Management Challenge by IG Community

IT Security and Management was one of the most frequently reported challenges identified by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) in its report, [Top Management and Performance Challenges Facing Multiple Federal Agencies](#).

IT Recognized as Top Management Challenge by FCA OIG

The FCA Office of Inspector General (OIG) identified IT as one of four top management challenges in FCA's FY 2017 Performance and Accountability Report (PAR). This challenge is the ability to leverage investments in IT while maintaining a secure environment.

² We were not able to obtain comparable data from the Office of the Comptroller of the Currency.

³ 12 U.S.C. 2241,2243

⁴ Although Farmer Mac is a federally chartered institution of the System, we discuss Farmer Mac and the System as separate entities, because Farmer Mac has a unique government-sponsored enterprise (GSE) mission with a significantly different role than that of the System's banks and associations. ([FCA Strategic Plan](#) p.1 Footnote 1)

As identified in the PAR, FCA must protect its IT systems and data from the risks of unauthorized access, use, disclosure, disruption, modification, or destruction. While cybersecurity threats are increasing, FCA is increasingly reliant on IT software to identify and analyze potential risks from the sensitive financial data that the Agency receives from the System. Hence, it is imperative that FCA has the necessary IT tools and staff to protect its systems and data from cybersecurity threats and to operate more efficiently and effectively. At the same time, the Agency must be prudent and responsible with its spending.

Role of OCFO with Budget

FCA's Office of the Chief Financial Officer (OCFO) supports the Agency mission through oversight of FCA's budget and financial operations. The OCFO oversees the development of the Agency's budget. Office directors prepare their budget submissions and submit them to the Chief Operating Officer (COO). The COO and Board Chairman and Chief Executive Officer (CEO) meet with senior staff to review and adjust office budgets to ensure the Agency's budget supports the strategic plan and mission of the Agency. The CFO combines each office's budget into a consolidated budget for FCA and obtains concurrence from office directors, the COO, and the CEO before presenting the budget to the FCA Board for approval.

FCA's budget is not subject to formal review by the Office of Management & Budget (OMB) because it is a non-appropriated agency with a no-year revolving fund. However, FCA elects to present its budget to an OMB budget analyst for review and consultation. OCFO also prepares a detailed budget justification for use by Congress. The CFO stated that, as in past years, Congress imposed a cap on FCA's budget from FY 2016 through FY 2018.

Office of Information Technology (OIT) and Information Resources Management (IRM) Planning

FCA's Board approved the formation of the Office of Information Technology (OIT) in May 2015. Prior to May 2015, OIT consisted of two teams in the Office of Management Services (OMS). OIT manages and delivers the Agency's information technology, data analysis infrastructure, and the security supporting Agency technology resources. The office is responsible for planning and controlling IT investments and leading change to improve the efficiency and effectiveness of Agency operations.⁵

OIT has provided that it conducts quarterly meetings with each FCA office to review IT projects and discuss ongoing and future data and technology needs. FCA offices may request proposed IRM projects at any time during the year. Such proposed projects are discussed during quarterly meetings. These discussions define the priority, urgency, and scope of technology changes and begin the budget process to allocate resources needed to implement projects. The Chief Information Officer (CIO) evaluates proposed high-level projects for inclusion in upcoming budgets and reviews such projects during quarterly meetings. A summary of included projects is listed along with their estimated costs and made available to the COO. The COO consults with the FCA Board and senior staff to ultimately decide which projects are funded and which are to be deferred.

⁵ FCA Notational Vote May 29, 2015.

Prior Reviews

The OIG conducted two reviews related to IT spending during the past six years:

1. [FCA's Mobile Device Cost Controls](#) was issued in July 2015, concluding that FCA used a sound approach for selecting a smartphone and wireless communications service provider. Additionally, invoices for wireless communications service were reviewed for accuracy prior to payment. However, we identified three actions that OIT agreed to implement that improved the management of mobile devices. In response to this audit, OIT developed internal operating procedures to periodically review the telecommunications plan for potential savings. Additionally, OIT educated users and monitored excessive data usage.
2. [Information Technology Equipment Acquisition](#) was issued in August 2012, concluding the IT equipment acquisition process was effective in determining the best and most cost-effective IT equipment needed for the Agency's operations. Nevertheless, the OIG identified areas where improvements were made to increase transparency, accountability, and efficiency.

BENCHMARKS

The objective of this benchmarking study is to compare FCA's IT budget and use of other IT contractual services to the other federal financial regulators. Our benchmarking study reveals:

- FCA's OIT budget has grown at a much higher percentage over the last three years than all other FCA office budgets. OE is FCA's largest office and OIT is FCA's second largest office. Although OE has six times the full-time equivalents (FTEs) than that of OIT, OE's budget is only three times larger than OIT's. OE's budget is 90% personnel costs. OIT's budget is 60% personnel costs and 25% other contractual services. Over the last three years, the number of FTEs in OIT has also increased at a higher percentage than all other FCA offices. In addition, OIT's use of contractors has greatly increased over the last three years.
- FCA's FY 2018 budget is \$71,200,000.⁶ OIT is the Agency's second largest office with a budget of \$10,214,244. FCA's budget increased 8% from FY 2016 to FY 2018, while OIT's budget increased 20% during the same timeframe.
- FCA budgeted for a total of 307 FTEs during FY 2018 which was a 3% increase from 297 FTEs in FY 2016. From FY 2016 to FY 2018, OIT's FY 2018 budget increased 12%, from 25 to 28 FTEs.
- Like other offices at FCA, a majority of OIT's budget is personnel costs. OIT's budgeted personnel costs are \$6,114,429 during FY 2018. The second largest use of OIT's budget is \$2,511,906 for other contractual services. OIT's budget for other contractual services increased 48% from FY 2016 to FY 2018. Other contractual services include various items, but professional IT contractors are a significant portion of other contractual services. In recent years, OIT significantly increased its use of professional IT contractors to support its staff.
- Of the benchmarked federal financial regulators, FCA has the smallest overall agency budget, IT budget, and number of employees. However, when compared to the IT budgets of the other federal financial regulators, FCA's IT budget, as a percentage of the Agency's budget, falls in the middle of the benchmarked agencies, and its use of contractors was the lowest of all the other agencies.
- FCA budgeted a far greater amount of its IT budget on personnel compensation and benefits and significantly less on other contractual services than three federal financial regulators that provided comparable data. Excluding personnel compensation and benefits, the five other federal financial regulators that provided comparable data budgeted the highest percent of their IT budget for other contractual services.
- When reading this study, please keep in mind that the comparisons with the other agencies were complicated by the different agency missions driving IT costs and differences in items included under each agency's IT budget.

This report does not contain any recommendations or agreed-upon actions.

⁶ FCA final budget data was based on data obtained from OCFO, reflects congressional limitations, and includes reimbursables.

Comparison of FCA's OIT Budget to Overall Agency Budget

FCA and OIT Budget

FCA's FY 2016 budget was \$66,200,000, and the FY 2017 budget was \$69,200,000. FCA's Board approved the FY 2018 budget of \$73,200,000 on September 6, 2017. However, due to a continuing resolution (CR), FCA had a congressional limitation on its budget of \$69,200,000 from October 1, 2017 through March 22, 2018. When Congress passed the omnibus budget ending the FY 2018 CR on March 23, 2018, FCA's final FY 2018 budget was increased to \$71,200,000.

OIT's FY 2016 budget was \$8,502,520, and the FY 2017 budget was \$10,738,297.⁷ OIT's FY 2018 FCA Board approved budget was \$9,948,575. With the CR, OIT's budget was reduced to \$8,081,208. OIT continued to operate under this limitation until May 24, 2018. After FCA's budget was increased with the omnibus, OIT's budget was increased to \$10,214,244. OIT's budget represented 12-16% of the total Agency budget from FY 2016 through FY 2018.

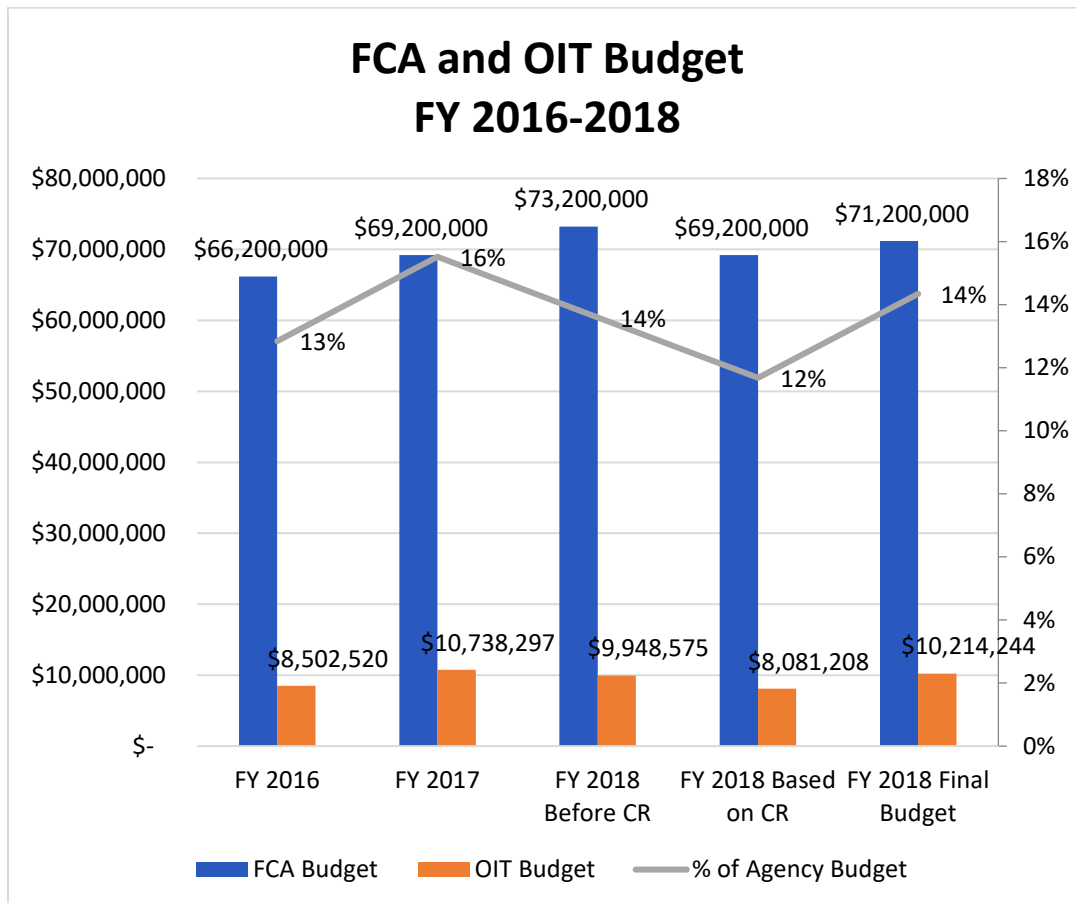


Exhibit 1

⁷ OIT's FY 2016 and 2017 budgets reflect reprogramming throughout the year.

FCA final budget data was based on data obtained from OCFO, reflects congressional limitations, and includes reimbursables⁸. Equipment and software are budgeted in a single year even if the useful life is longer than one year. OIT's budget does not include systems contracted for financial management, accounting, travel, procurement, personnel, payroll, and human resources. OCFO budgets for financial management, accounting, and travel systems and services. The Office of Agency Services (OAS) budgets for procurement, personnel, payroll, and human resource systems.

FCA Budget Trends by Office

FCA's largest office is OE, which has an FY 2018 budget of \$33,193,228 and represents 47% of FCA's total FY 2018 budget. OIT is FCA's second largest office with a budget of \$10,214,244 and represents 14% of FCA's total FY 2018 budget.

FCA's budget increased 8% from FY 2016 to FY 2018. Of all FCA's offices, OIT's budget increased the most at 20% from FY 2016 to FY 2018. Five other office budgets increased greater than 10% from FY 2016 to FY 2018. The Office of Secondary Market Oversight's (OSMO) budget increased 16%. The Office of General Counsel's (OGC) budget increased 14%. The Office of Congressional and Public Affairs' (OCPA) budget increased 14%. The Office of Equal Employment Opportunity and Inclusion's (EEOI) budget increased 13% from FY 2016 to 2018. OIG's budget increased 10%. The following chart shows each office's budget from FY 2016 through FY 2018.

⁸ Reimbursable activities include reimbursable work performed for the Farm Credit System Insurance Corporation (FCSIC), the National Consumer Cooperative Bank (NCCB), and the United States Department of Agriculture (USDA).

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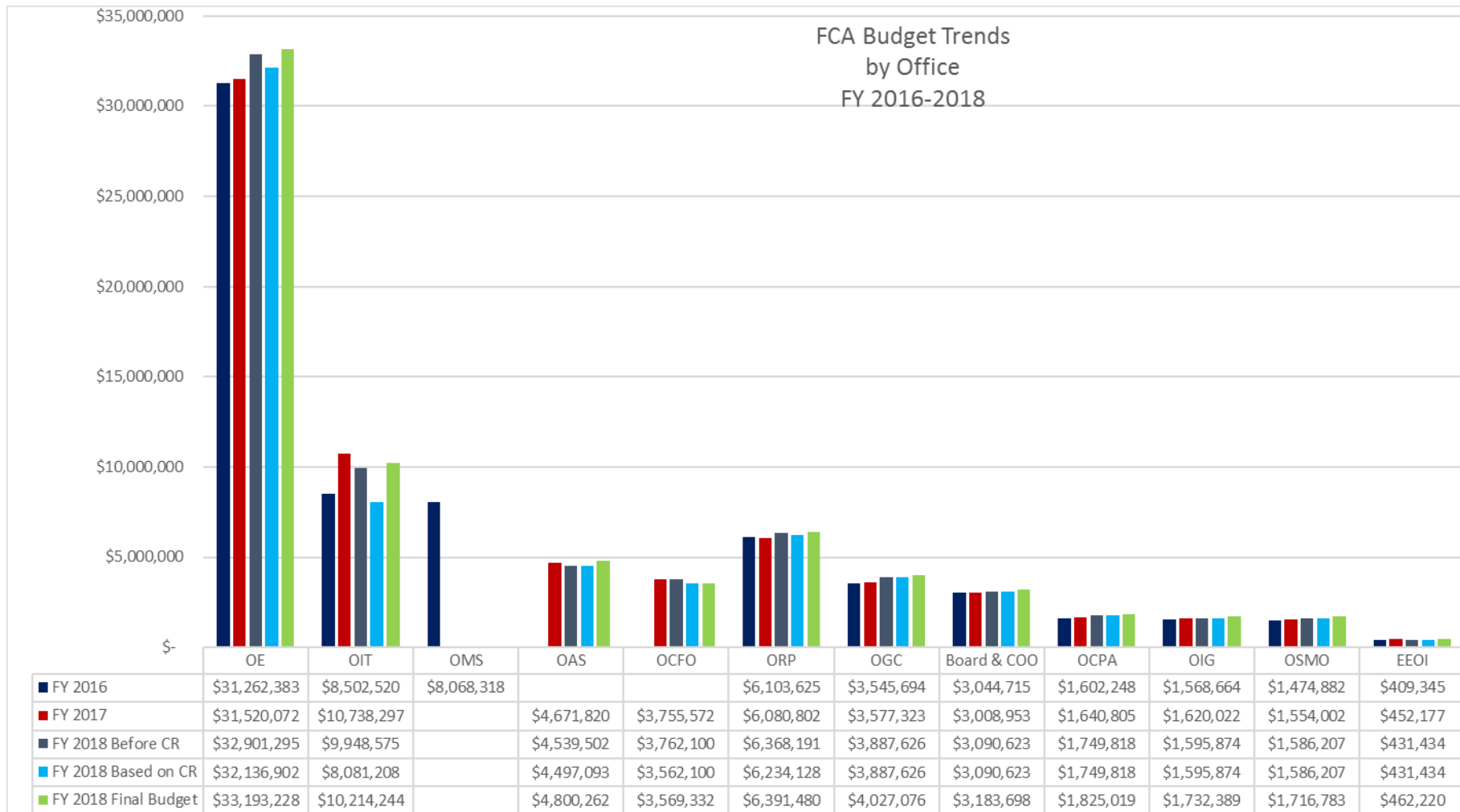


Exhibit 2⁹

⁹ In FY 2016, the OMS included the Finance Team, the Human Resources and Training Team (HRTT), and the Administrative Operations Team (AOT). Due to a reorganization effective October 2016, OMS was eliminated and the Finance Team became the OCFO and the HRTT and AOT became known as OAS. (NV 16-08).

FCA FTEs by Office 2016-2018

FCA budgeted for a total of 297 FTEs for FY 2016; 310 FTEs for FY 2017; and 307 FTEs during FY 2018. OE was the largest office at FCA during FY 2018 with 177 FTEs, and OIT was the second largest office with 28 FTEs. OIT represented 8-9% of FTEs at FCA from FY 2016 through FY 2018.

Budgeted FTEs at FCA increased 3%, or 10 FTEs, from FY 2016 to FY 2018. Most offices had no change in FTEs from FY 2016 to 2018. The percentage increase or decrease from FY 2016 to FY 2018 in OCPA, OE, OSMO, and OGC was 4% or less. However, FTEs in OIT increased 12%, or 3 FTEs, from FY 2016 to FY 2018. The following chart shows the FTEs budgeted for each office from FY 2016 through FY 2018.

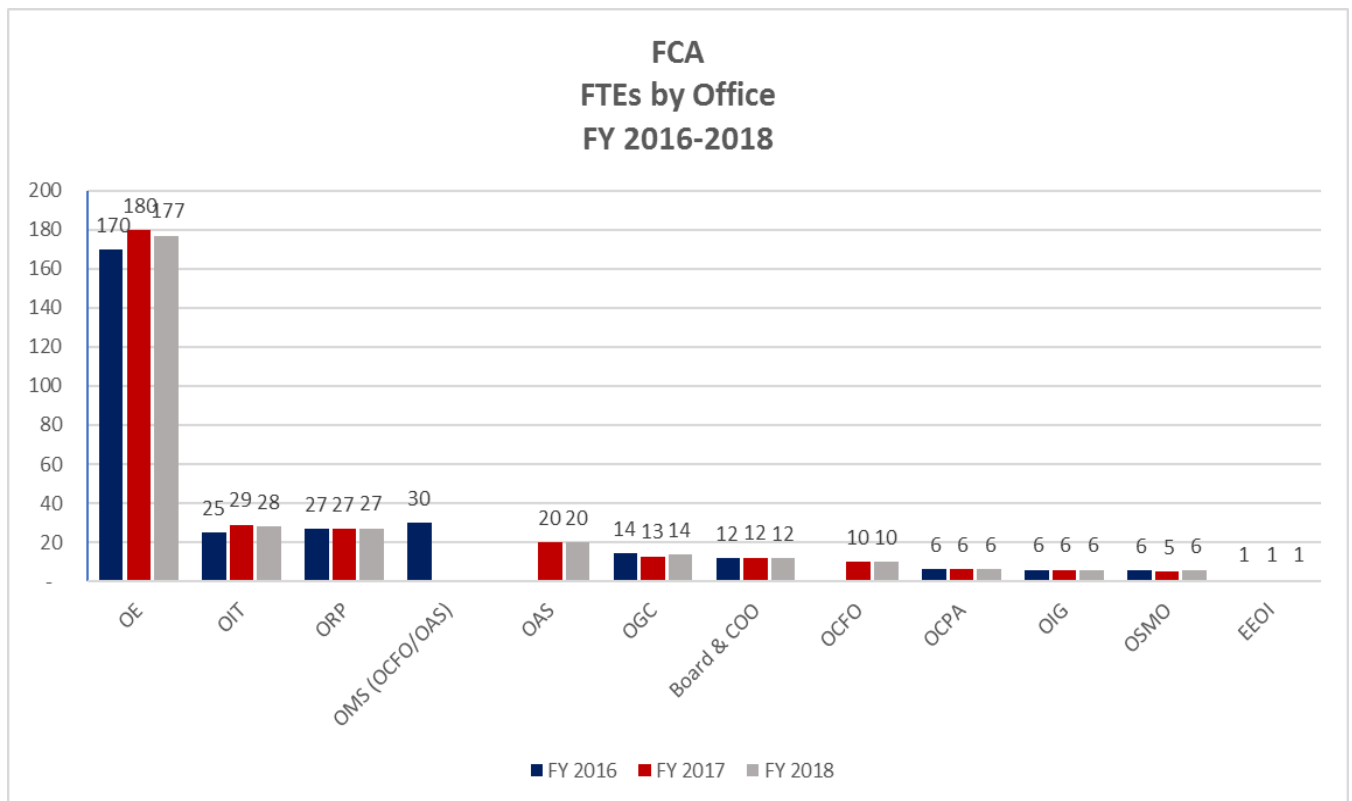


Exhibit 3

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The following pie chart shows the size of each office with greater than 10 FTEs budgeted for FY 2018. We note, however, not all FTEs budgeted for an office are actually filled.¹⁰

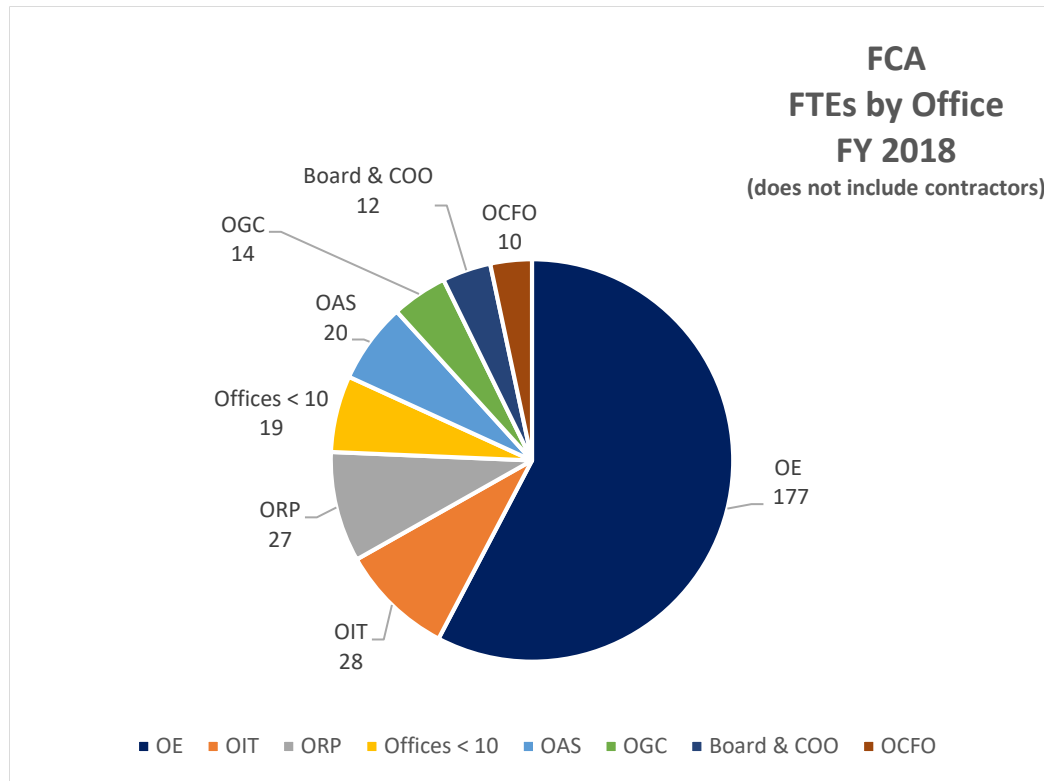


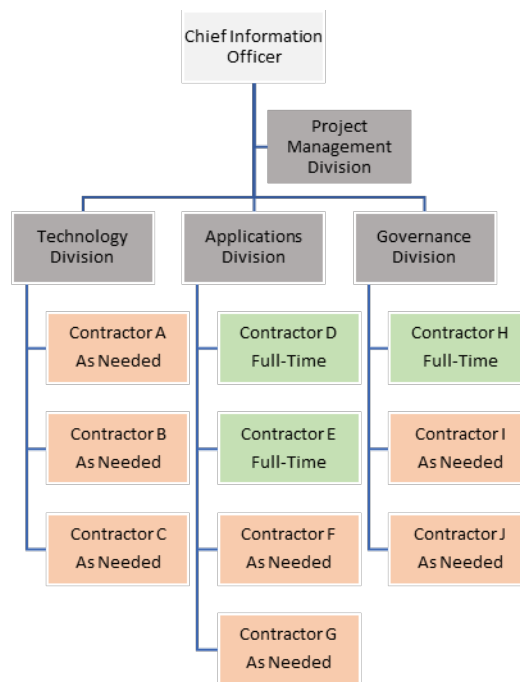
Exhibit 4

¹⁰ As of 7/31/2018, FCA's Deputy Director, OAS, reported a total of 318 FTEs in their payroll system which includes vacancies and interns: OIT-31; OE-189; ORP-25; OAS-19; OCFO-8; OGC-14; Board/CEO-15; OCPA-6; OIG-5; OSMO-6.

FCA OIT Budget by Object Class

Like all FCA offices, a majority of OIT's budget is used for personnel compensation and benefits. During FY 2018, OIT's budget for personnel costs is \$6,114,429. Other contractual services are the second largest use of OIT's budget at \$2,511,906 during FY 2018. Other contractual services include professional services, IT hardware and software operations and maintenance, and training. The third largest item in OIT's budget during FY 2018 is \$709,549 for rent, communications, and utilities which includes telecommunication service and cable service. The fourth largest item in OIT's budget during FY 2018 is equipment at \$472,110. In the past, equipment included servers, laptops, network equipment, software, data warehouse consulting, and database development. The chart on the next page shows OIT's budget by object class from FY 2016 through FY 2018.

This chart represents OIT's organization chart as of June 12, 2018. It shows the divisions under the CIO which include Agency employees and contractors that are used full-time and as needed.



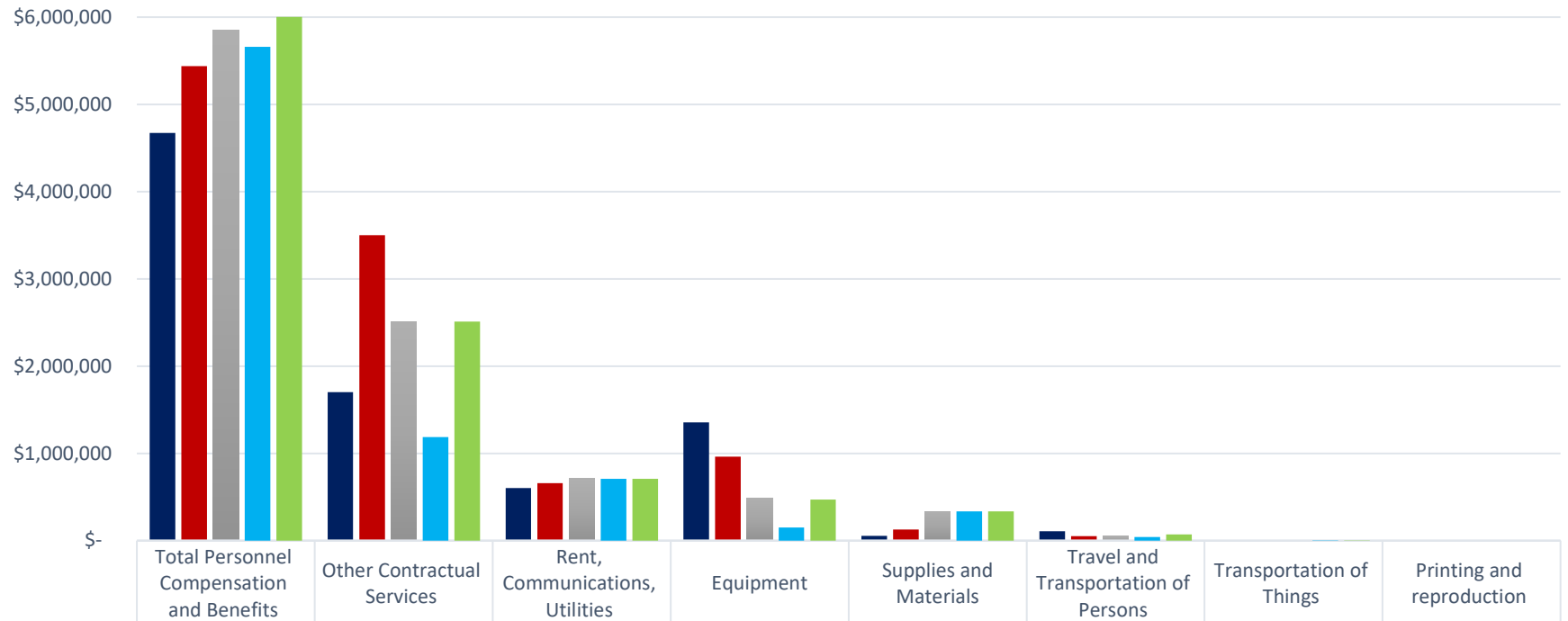
Although OE has six times more FTEs than OIT, OE's budget is only three times larger than OIT's. OE's budget is 90% personnel costs. OIT's budget is 60% personnel costs and 25% other contractual services. OIT's budget for other contractual services includes items such as:

- professional IT contractors to support IT security, application development, and data warehouse, and
- operations and maintenance of IT equipment and software.

(See *FCA OIT Budget & Use of Other Contractual Services* section for more detail.)

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FCA OIT Budget by Object Class FY 2016-2018



	Total Personnel Compensation and Benefits	Other Contractual Services	Rent, Communications, Utilities	Equipment	Supplies and Materials	Travel and Transportation of Persons	Transportation of Things	Printing and reproduction
■ FY 2016	\$4,673,230	\$1,701,452	\$604,148	\$1,354,990	\$53,700	\$108,300	\$5,700	\$1,000
■ FY 2017	\$5,438,130	\$3,501,188	\$658,100	\$961,794	\$127,450	\$50,635	\$1,000	
■ FY 2018 Before CR	\$5,849,807	\$2,512,619	\$709,549	\$490,350	\$335,250	\$50,000	\$1,000	
■ FY 2018 Based on CR	\$5,658,153	\$1,186,906	\$709,549	\$150,350	\$335,250	\$40,000	\$1,000	
■ FY 2018 Final Budget	\$6,114,429	\$2,511,906	\$709,549	\$472,110	\$335,250	\$70,000	\$1,000	

Exhibit 5

Other Contractual Services and Significant Labor Hour Task Orders

FCA OIT Budget & Use of Other Contractual Services

OIT budgeted \$1,701,452 for other contractual services during FY 2016 and \$3,501,188 during FY 2017. In September 2017, the FCA Board approved OIT's FY 2018 budget which included \$2,512,619 for other contractual services.¹¹ However, OIT's budget for other contractual services was significantly reduced to \$1,186,906 due to FCA's budget limitation in the CR. After FCA's budget was increased with the omnibus, OIT's budget for other contractual services was increased to \$2,511,906. This is a 48% increase from FY 2016 to FY 2018. Examples of other contractual services include:

- Professional IT data program support services for data collected from FCS institutions and internal administrative data
- IT security and privacy program support services
- Professional services for a data warehouse solution
- Professional IT support for application system development
- Redesign FCA's website
- Operations and maintenance of IT equipment and software
- IT support
- Training

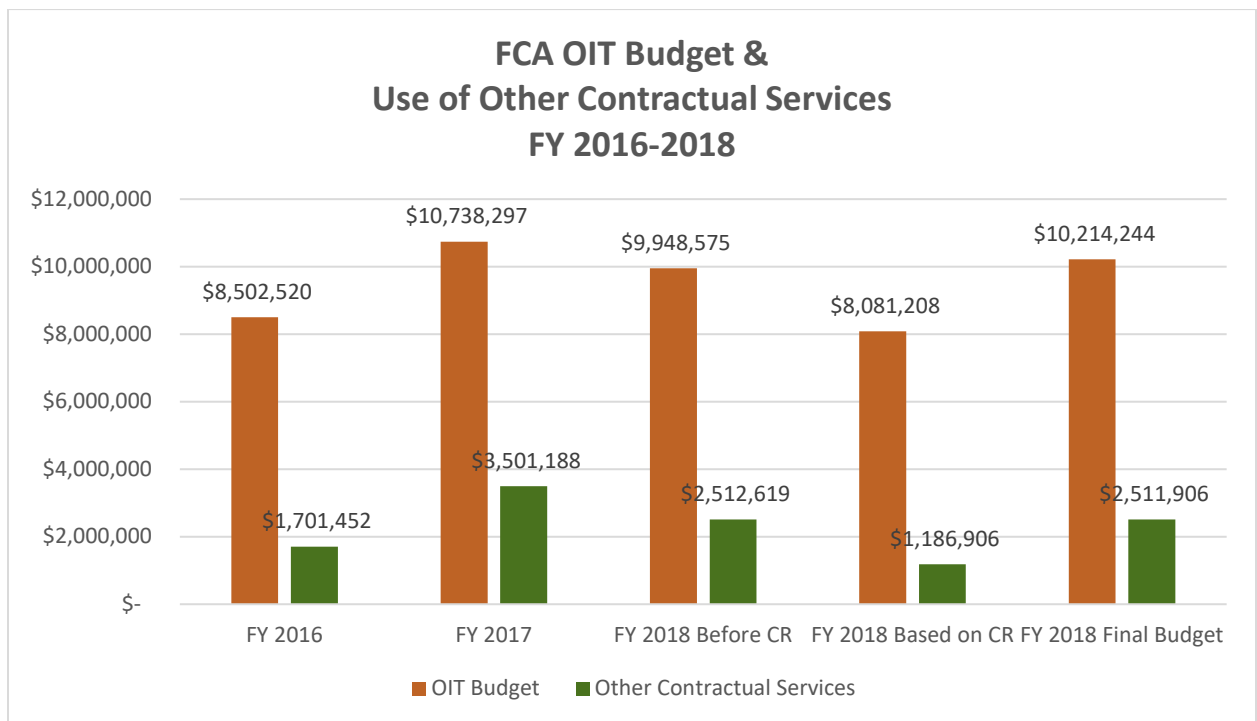


Exhibit 6

¹¹ OIT obligated funds for other contractual services during FY 2017, but the funds were anticipated for use by the CIO in FY 2018.

FCA Contracted for Professional IT Support Services – Labor Hour Task Orders

A significant portion of OIT's use of other contractual services includes professional IT support services. OIT uses professional IT contractors to support its staff. From FY 2016 through FY 2018, FCA contracted for professional IT support services that included security operations and software planning and development. We limited the scope of this analysis to purchase orders for professional IT support services exceeding \$100,000 with labor hour task orders related to consulting and professional services. Purchases for software, hardware, maintenance, and training were excluded. During FY 2016 and FY 2017, OIT obligated funds for significant IT professional support services for five contractors. Three of the five contractors represented labor hour task orders, and two of the contractors were fixed price contracts.

There was a significant increase in labor hour task orders from FY 2016 to FY 2017. During FY 2016, labor hour task orders totaled 5,654 hours at a cost of \$616,388. Labor hour task orders increased to \$2,034,729 and 15,619 hours during FY 2017. During FY 2017, \$639,078 of the \$2,034,729 was actually used for those labor hour task orders and the \$1,395,651 balance was carried over for use in FY 2018. As of May 31, 2018, OIT's FY 2018 Spend Plan did not contain any purchase orders exceeding \$100,000 for consulting and professional services. However, the CIO clarified that although FCA obligated funds for labor hour task orders during FY 2017, the balance of funds not used during FY 2017 were to be used during FY 2018. If there were any funds not used from these task orders, they would be deobligated at the end of FY 2018.

As of August 1, 2018, OIT reported they had a total of 5 contractors performing IT work at FCA. The 5 contractors include a total of 12 contractor staff – 9 full-time and 3 part-time supporting various IT projects, with plans to bring on an additional 10 contractors (9 part-time and 1 full-time staff) in the near future.

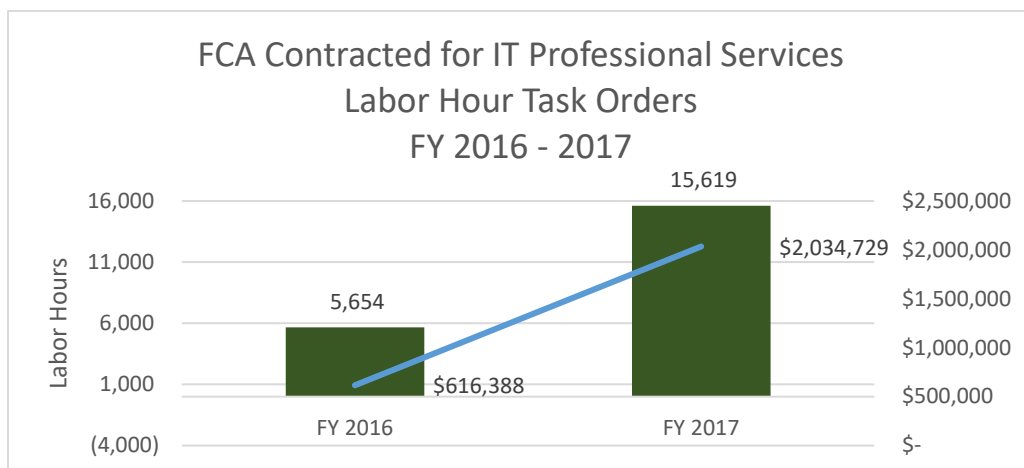


Exhibit 7¹²

¹² During FY 2017, \$639,078 of the \$2,034,729 was actually used for those labor hour task orders and the \$1,395,651 balance was carried over for use in FY 2018.

APPENDIX A: COMPARISON OF FCA'S IT BUDGET TO OTHER FEDERAL FINANCIAL REGULATORS

Comparison of FCA's IT Budget to Other Federal Financial Regulators

We compared FCA's FY 2018 IT budget to other federal financial regulators. Most of the data provided by other federal financial regulators is not readily available to the public. In some cases, our counterparts at the other OIGs assisted us in obtaining the data we needed. In other cases, we used Freedom of Information Act requests to obtain data.¹³ The data provided from CFTC was based on their budget when they were under a CR.

The data we requested or obtained from other federal financial regulators included:

- Total FY 2018 agency budget
- FY 2018 IT budget broken out by object class
- Name of office(s) or division(s) that control the IT budget
- Other significant IT expenses (over 5% of IT budget) not included in the CIO's budget that are budgeted by other offices (such as contracted systems supporting financial, procurement, human resources, etc.)
- FY 2018 FTEs
- FY 2018 IT FTEs

Due to the sensitivity of the other regulators' data and our comparison, we redacted other agency data in this section of the report.

Background of the Federal Financial Regulators

All of the federal financial regulators in our benchmark study are independent agencies. Except for CFTC, which gets an appropriation from Congress, all the other federal financial regulators primarily fund operations from non-appropriated sources. The mission of each federal financial regulator varies with the types of institutions and markets it oversees. Some background information on each benchmarked federal financial regulator follows:

FCA

FCA is an independent Agency governed by a three-person full-time Board. FCA is funded by the institutions it regulates and examines and does not receive any federal appropriation of tax dollars.

Mission: "FCA's mission is to ensure a safe, sound, and dependable source of credit and related services for all creditworthy and eligible persons in agriculture and rural America."

¹³ We were not able to obtain comparable information from the Office of the Comptroller of the Currency (OCC). We note that, unlike the other benchmarked agencies, the OCC is a bureau of the Department of Treasury.

Commodity Futures Trading Commission (CFTC)

CFTC is an independent agency that consists of five commissioners. CFTC receives an appropriation from Congress.

Mission: "The mission of the Commodity Futures Trading Commission (CFTC) is to foster open, transparent, competitive, and financially sound markets. By working to avoid systemic risk, the Commission aims to protect market users and their funds, consumers, and the public from fraud, manipulation, and abusive practices related to derivatives and other products that are subject to the Commodity Exchange Act."

Federal Deposit Insurance Corporation (FDIC)

FDIC is an independent agency with a five-member Board of Directors that is primarily funded from deposit insurance assessments.

Mission: "The Federal Deposit Insurance Corporation (FDIC) is an independent agency created by the Congress to maintain stability and public confidence in the nation's financial system by:

- Insuring deposits.
- Examining and supervising financial institutions for safety and soundness and consumer protection.
- Making large and complex financial institutions resolvable. and
- Managing receiverships."

Federal Housing Finance Agency (FHFA)

FHFA is an independent agency funded by annual assessments from its regulated entities. FHFA's Director serves a five-year term and is confirmed by the Senate.

Mission: "Ensure that the housing government sponsored enterprises operate in a safe and sound manner so that they serve as a reliable source of liquidity and funding for housing finance and community investment."

Board of Governors of the Federal Reserve System (FRB)

The FRB is an independent agency with a seven member governing board. The FRB primarily receives its funding from the interest on government securities that it has acquired through open market operations.

Mission: "The Board's longstanding mission is to foster the stability, integrity, and efficiency of the nation's monetary, financial, and payment systems and to promote optimal economic performance."

National Credit Union Administration (NCUA)

NCUA is an independent agency with a three-member Board. NCUA funds its activities through operating fees levied on all federal credit unions and reimbursements from the Share Insurance Fund.

Mission: "Provide, through regulation and supervision, a safe and sound credit union system which promotes confidence in the national system of cooperative credit."

U.S. Securities and Exchange Commission (SEC)

The SEC is an independent agency that consists of five presidentially-appointed Commissioners. The SEC's annual appropriation is offset by securities transaction fees.

Mission: "The mission of the SEC is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation."

Offices Responsible for IT at the Federal Financial Regulators

We identified the offices responsible for IT at the other federal financial regulators.

Agency	Name of IT Office or Division
FCA	Office of Information Technology
CFTC	Office of Data and Technology
FDIC	Division of Information Technology Office of the Chief Information Security Officer Chief Information Officer Council
FHFA	Office of Technology and Information Management
FRB	Division of Information Technology
NCUA	Office of Continuity and Security Management Office of Chief Information Officer
SEC	Office of Information Technology

Exhibit 8

Comparison of Agency Budget to IT Budget FY 2018

FCA has the smallest FY 2018 total budget of \$71,200,000 and IT budget of \$10,214,244 of the benchmarked federal financial regulators. We calculated the FY 2018 IT budgets as a percentage of total agency budgets for each of the federal financial regulators. The IT budgets ranged from 8% to 30% of their respective total agency budgets. FCA's IT budget was 14% which is in the middle of the range. However, mission specific requirements that drive IT costs for a specific agency and differences in items included in each agency's IT budget need to be taken into consideration when making a comparison.

The following are notable differences in agency IT budgets:

- The analysis contained in this appendix is limited to FY 2018. It is the evaluator's understanding that it is common practice throughout the federal government to budget for equipment and software in a single year even if the useful life is longer than one year. IT budgets for each of the agencies could vary from year to year based on the timing of significant IT equipment purchases like laptops, servers, and network equipment.
- [REDACTED] IT budgets do not include compensation and benefits. Therefore, [REDACTED] IT budgets would be greater if personnel costs were included.
- [REDACTED] IT budget includes the records management function.
- [REDACTED] budget includes an additional [REDACTED] that is not reflected in other budgets we benchmarked against.
- [REDACTED] IT budget does not represent all IT spending because some IT functions remain decentralized. If [REDACTED] IT budget was centralized, [REDACTED] IT budget would be greater.

Comparison of Agency Budget to IT Budget FY 2018

	IT Budget	Non-IT Budget	Total Agency Budget	IT Budget as a % of Agency Budget	Total FTEs 2018	IT FTEs 2018	% of IT FTE
FCA	\$ 10,214,244	\$ 60,985,756	\$ 71,200,000	14%	307	28	9%
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Exhibit 9^{14 15 16}

¹⁴ [REDACTED] personnel data is representative of position (not FTE).

¹⁵ [REDACTED]

¹⁶ [REDACTED] FTE numbers used for the [REDACTED] include both federal staff and contractor users.

IT Budget \$ as a % of Agency Budget

We calculated the IT budgets as a percentage of the total agency budgets for each of the federal financial regulators that provided data. FCA's OIT budget represented 14% of its FY 2018 Agency budget. Other federal financial regulators budgeted between 8% and 30% for IT. The percent FCA budgeted for IT was within 1% of [REDACTED] IT budgets. However, mission specific requirements that drive IT costs for a specific agency and differences in items included in each agency's IT budget need to be taken into consideration when making a comparison. For example, [REDACTED] IT budget had the lowest percentage, but it did not include personnel costs, which would increase [REDACTED] IT budget and the IT percentage of its overall budget. [REDACTED] IT budget would also be higher if it included personnel costs. Additionally, if IT functions were centralized at [REDACTED] IT budget would be higher. However, [REDACTED] IT budget would be less if you removed indirect overhead.

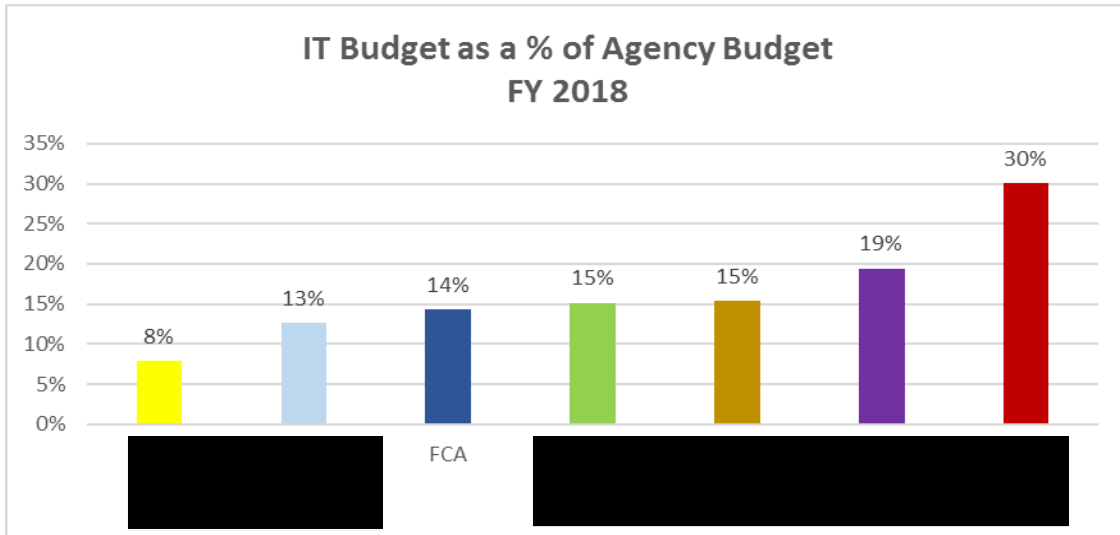


Exhibit 10¹⁷

Cost of IT Budget per Agency FTE

We calculated the cost of the IT budgets per agency FTEs for the other federal financial regulators that provided data. FCA's IT budget per Agency FTE is \$33,271. The cost of IT budget per agency FTE for the other federal financial regulators was a low of \$25,058 to a high of \$111,583. FCA's IT budget per Agency FTE was the third lowest of the other federal financial regulators. However, mission specific requirements that drive IT costs for a specific agency and differences in items included in each agency's IT budget need to be taken into consideration when making a comparison. For example, [REDACTED] IT budget had the lowest cost of IT budget per agency FTE at \$25,058, but it did not include personnel costs which would increase [REDACTED] IT budget per agency FTE. [REDACTED] IT budget per FTE would also be higher if it included personnel costs. Additionally, if IT functions were centralized at [REDACTED] IT budget per FTE would be higher. However, [REDACTED] IT budget would be less than \$111,583 per FTE if you removed indirect overhead.

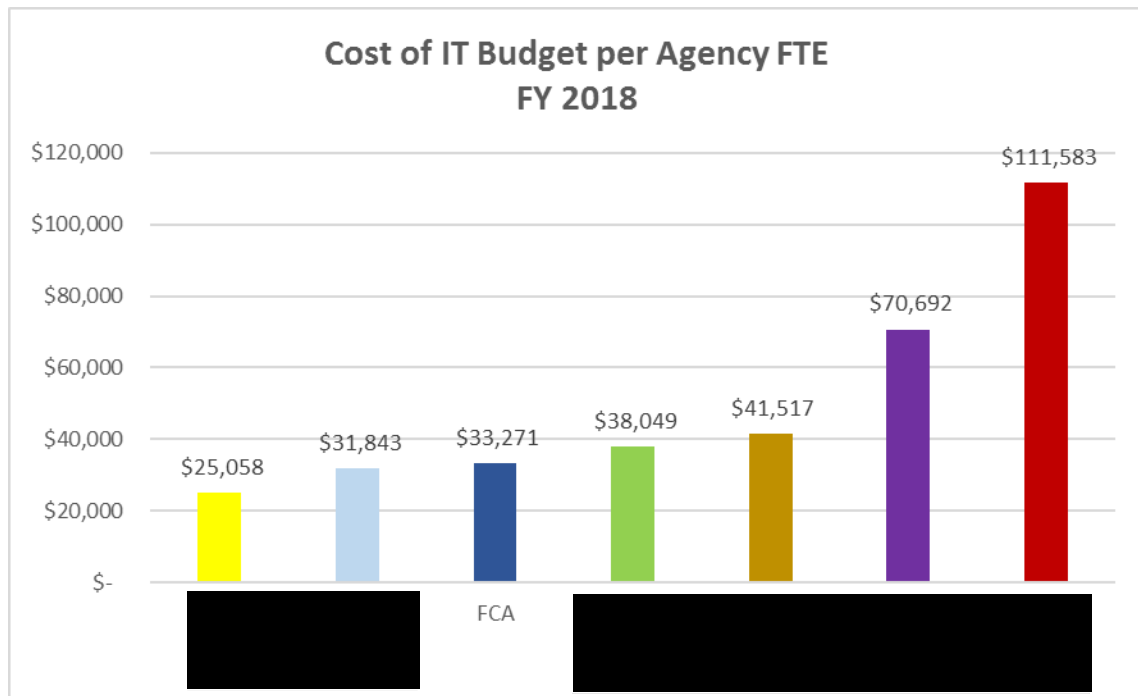


Exhibit 11¹⁸¹⁹²⁰

¹⁸ [REDACTED]
¹⁹ [REDACTED] FTE numbers used for
the [REDACTED] include both federal staff and contractor users.
²⁰ [REDACTED] personnel data is representative of position (not FTE).

Comparison of IT Budget per Agency FTE and as % of Agency Budget

The chart below displays the comparison of each agency's IT budget per agency FTE, and the IT budgets as a percentage of agency budgets. This chart shows a relationship between IT budgets per FTE and as a percentage of the overall agency budgets. However, mission specific requirements that drive IT costs for a specific agency and differences in items included in each agency's IT budget need to be taken into consideration when making a comparison. For example, [REDACTED] IT budget had the lowest percentage and IT budget per agency FTE, but it did not include personnel costs that would increase [REDACTED] IT budget. [REDACTED] IT budget percent and IT cost per FTE would also be higher if it included personnel costs. Additionally, if IT functions were centralized at [REDACTED] IT budget would be higher. However, [REDACTED] IT budget would be less if you removed indirect overhead.

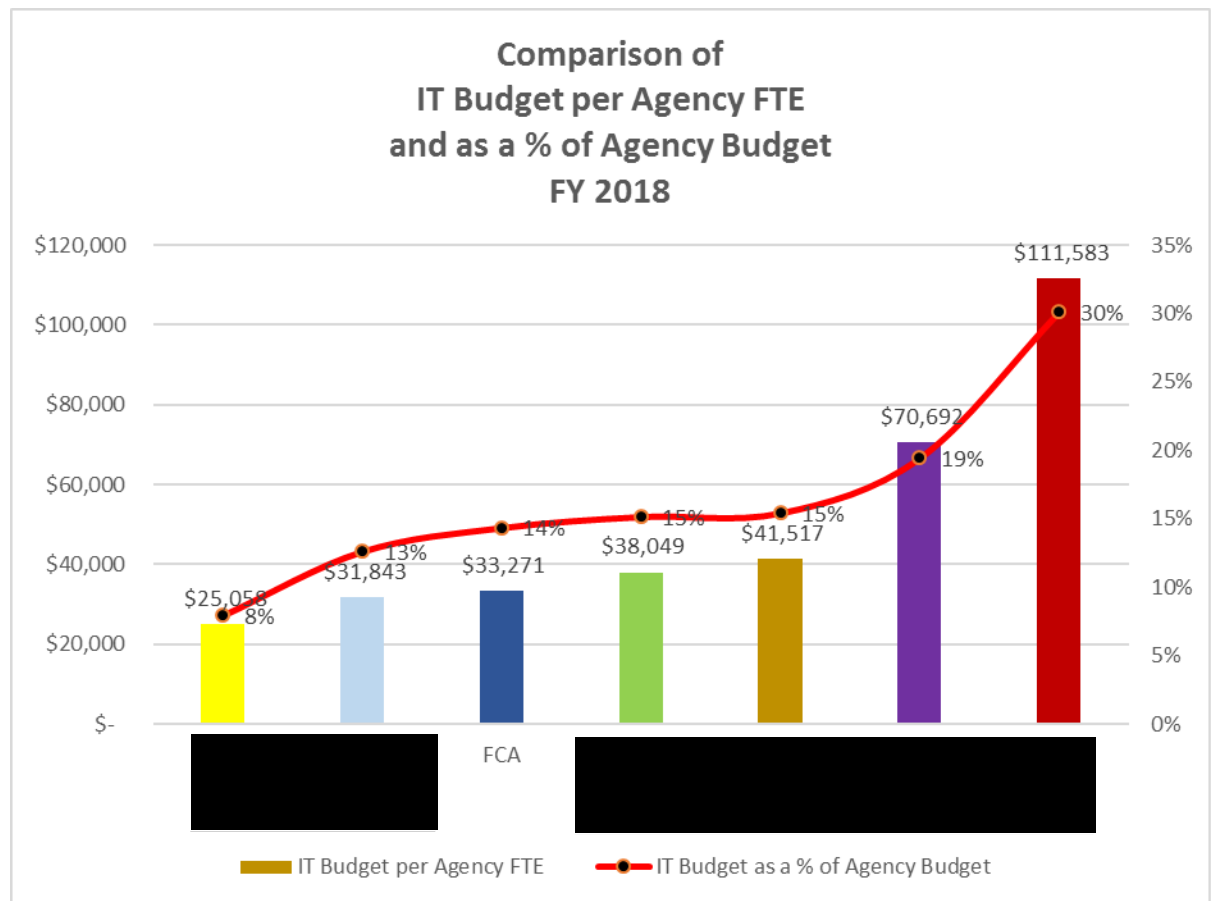


Exhibit 12²¹²²²³

²¹ [REDACTED]

²² [REDACTED] FTE numbers used for the [REDACTED] include both federal staff and contractor users.

²³ [REDACTED] personnel data is representative of position (not FTE).

Comparison of IT Budgets by Object Class

We compared FCA's OIT budget by object class to other federal financial regulators that provided comparable data ([REDACTED]). Of the agencies that included personnel compensation and benefits in their IT budget, FCA spends the largest percentage of its IT budget on personnel compensation and benefits.²⁴ FCA budgeted 60% of its IT budget on personnel compensation and benefits. [REDACTED] budgeted between 24 and 32% of its IT budget on personnel compensation and benefits. FCA's second largest item in its IT budget is other contractual services at 25%. [REDACTED] budgeted between 51% and 61% of their IT budget for other contractual services. FCA budgeted a far greater amount on personnel compensation and benefits and significantly less on other contractual services than [REDACTED]. [REDACTED] budgeted significantly more on other contractual services than personnel costs.

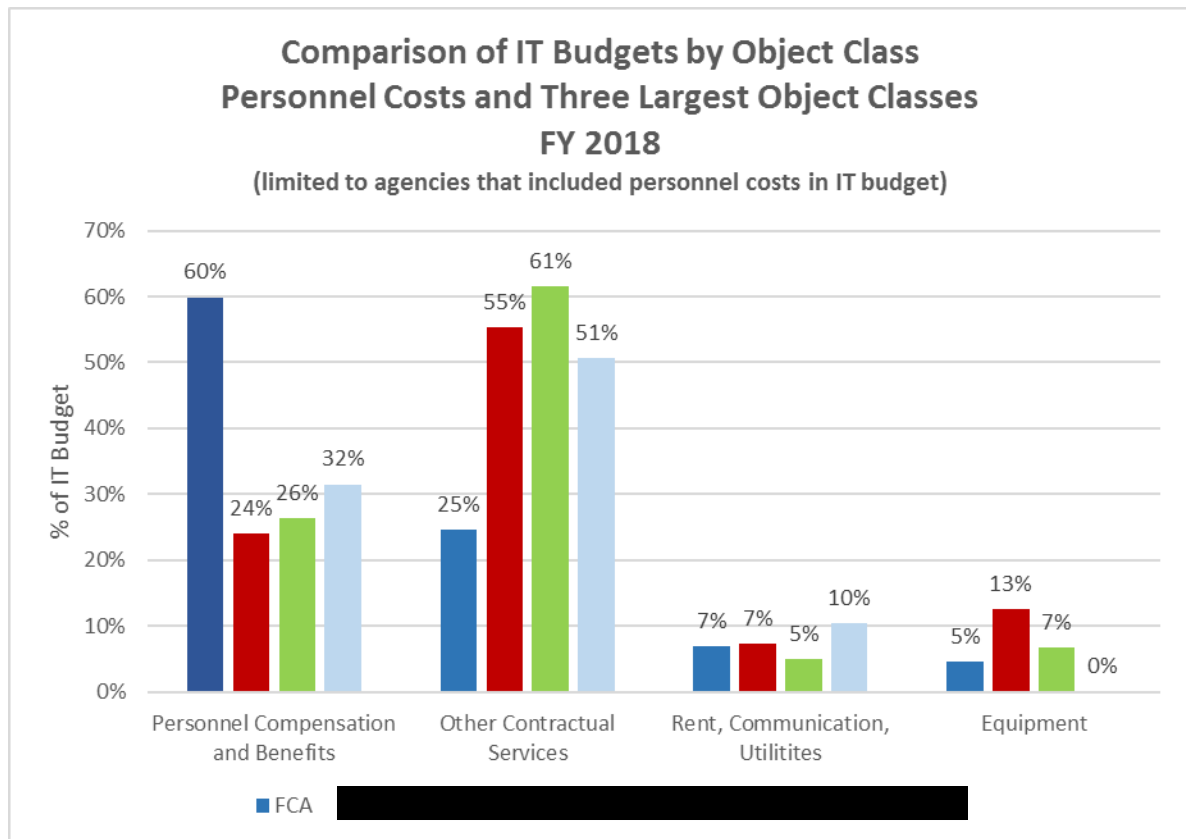


Exhibit 13²⁵

²⁴ [REDACTED] IT budgets do not include personnel costs. Therefore, we were unable to benchmark personnel costs for those agencies. [REDACTED] so we were unable to benchmark [REDACTED] IT budget by object class.

²⁵ [REDACTED]

For the next analysis, we identified the three largest budget object classes and compared FCA to the other federal financial regulators that provided comparable data ([REDACTED]). We excluded personnel compensation and benefits since some agencies did not include it in their IT budgets. Then, we calculated the percent budgeted for the three largest budget object classes.

After excluding personnel costs, the three largest budget object classes were the same for each of these agencies:

1. Other Contractual Services
2. Rent, Communication, Utilities
3. Equipment

All the agencies budgeted the highest percent for other contractual services. FCA budgeted the lowest at 61%, and the other federal financial regulators budgeted between 64% and 83%.

Rent, communication, and utilities was 17% of FCA's IT budget. Other federal financial regulators budgeted between 4% and 15% on rent, communication, and utilities. FCA's IT budget for rent, communication, and utilities was the highest amount of the other federal financial regulators during FY 2018.

Equipment was 12% of FCA's IT budget. Other federal financial regulators budgeted between 0% and 32% on equipment. FCA was in the middle of this range during FY 2018. Equipment and software are budgeted in a single year even if the useful life is longer than one year. IT budgets for each of the agencies could vary from year to year based on the timing of significant IT equipment purchases like laptops, servers, and network equipment.

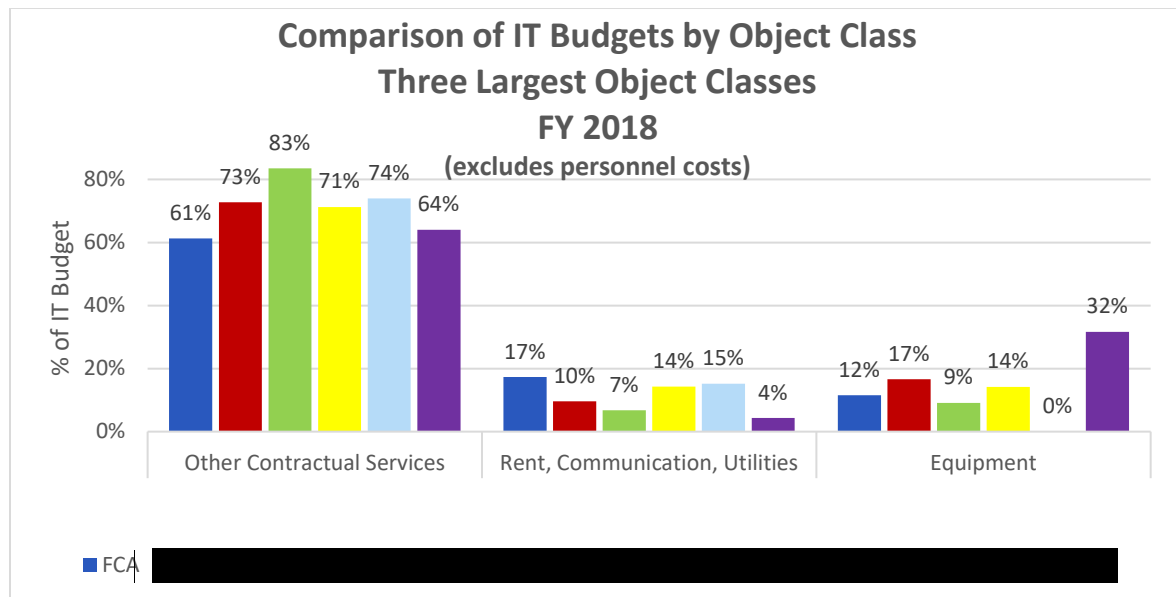


Exhibit 14²⁶

Comparison of FCA's Agency FTEs and IT FTEs to other Federal Financial Regulator Agency FTEs and IT FTEs

We compared the number of agency FTEs and IT FTEs at FCA to the benchmarked federal financial regulators. FCA had the smallest number of agency FTEs (307) and IT FTEs (28) during FY 2018.

We calculated the IT FTEs as a percentage of agency FTEs for FY 2018 for each of the federal financial regulators. IT FTEs as a percent of agency FTEs ranged from 4% to 15% of their respective agency. FCA was in the middle of the range with IT FTEs at 9% of total agency FTEs.²⁷

Comparison of Agency FTEs to IT FTEs FY 2018

AGENCY	TOTAL FTEs	IT FTEs	% OF IT FTEs
			4%
			5%
			8%
FCA	307	28	9%
			12%
			13%
			15%

Exhibit 15²⁸²⁹

The following graph is a visual representation of IT FTEs as a percent of agency FTEs for FCA and the benchmarked financial regulators.

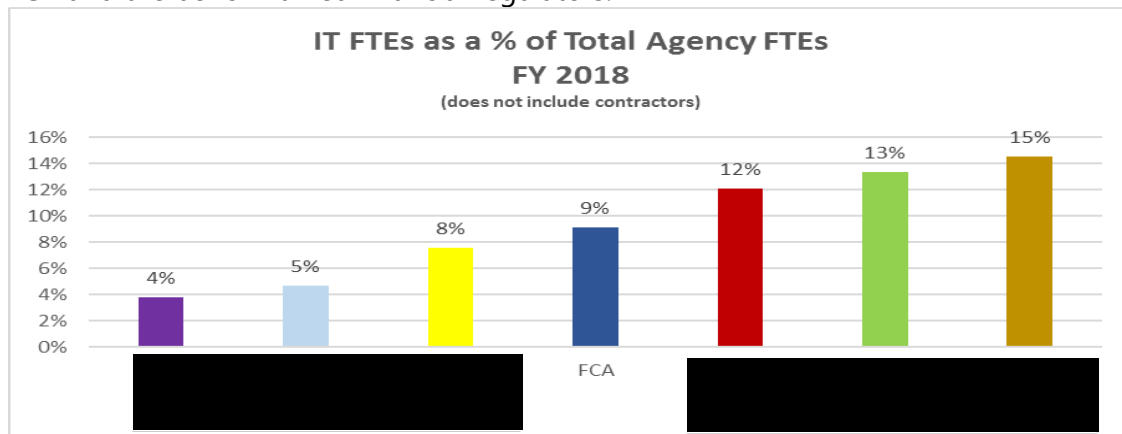


Exhibit 16³⁰³¹

²⁷ This comparison is limited to agency employees and does not reflect contractor support with the exception of [REDACTED] FTE numbers used for the [REDACTED] include both federal staff and contractor users.

²⁸ [REDACTED]

²⁹ [REDACTED] personnel data is representative of position (not FTE).

³⁰ [REDACTED]

³¹ [REDACTED] personnel data is representative of position (not FTE).

APPENDIX B: OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this evaluation was to compare FCA's IT budget and use of other IT contractual services to other federal financial regulators. The scope of this evaluation included FCA and FCA IT budgets from FY 2016 through FY 2018 and FY 2018 agency and IT budgets of the benchmarked federal financial regulators.

FCA's FY 2018 IT budget and use of other IT contractual services was compared to data obtained from other federal financial regulators including:³²

- CFTC
- FDIC
- FHFA
- FRB
- NCUA
- SEC

We performed the following steps to accomplish the evaluation objective:

- Identified and reviewed related laws, regulations, and OMB guidance;
- Identified and reviewed related Agency policies and procedures;
- Reviewed prior audits and inspections related to the evaluation objective;
- Conducted interviews with FCA's CIO, CFO, and staff from OIT and OCFO;
- Communicated with other federal financial regulators;
- Obtained and analyzed agency and IT budgets from FCA and other federal financial regulators;
- Benchmarked and compared how much FCA budgeted for IT as a percentage of the overall Agency budget;
- Compared FCA's IT budget to other federal financial regulators;
- Compared FCA's IT staffing to other federal financial regulators;
- Compared FCA's use of other IT contractual services to other federal financial regulators;
- Considered significant internal control processes; and
- Considered the possibility of fraud, other illegal acts, waste and abuse related to the objective.

We conducted this evaluation in accordance with CIGIE's *Quality Standards for Inspection and Evaluation*. Those standards require that we plan and perform the evaluation to obtain sufficient, competent and relevant evidence that supports a reasonable basis for our findings, conclusions and recommendations. Overall, we believe the evidence obtained is sufficient to provide a reasonable basis for our findings and conclusions based on the evaluation objective.

³² We were not able to obtain comparable information from the Office of the Comptroller of the Currency.

We reviewed internal controls identified as significant to the objective and did not identify any material control weaknesses. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our evaluation.

To address our objectives, we relied on computer-processed data such as budget reports provided by FCA's OCFO and Spend Plans provided by OIT. We did not test the systems that generated these reports since that was not our objective. However, we assessed the reliability of FCA's computer-processed data and determined it was sufficiently reliable and valid for use in meeting our objective.

Additionally, we obtained data directly from other federal financial regulators and did not perform any additional testing to determine its reliability. However, each other regulator reviewed and confirmed the accuracy of their data as described in this evaluation.

We assessed the risk of fraud and abuse related to our evaluation objective while evaluating evidence. Nothing came to our attention during the evaluation to indicate fraud or abuse was occurring.

This evaluation was performed at FCA headquarters in McLean, Virginia, from December 2017 through August 2018. At the end of this evaluation, we provided management with a draft report of our observations and held an exit conference on August 8, 2018. We also provided the other federal financial regulators with a redacted copy of the draft report with their data visible so they could ensure the accuracy of our representation of their data.

APPENDIX C: DEFINITION OF INFORMATION TECHNOLOGY

Information technology is defined by Office of Management & Budget (OMB) in M-15-14 and includes:

- A. "Any services or equipment, or interconnected system(s) or subsystem(s) of equipment, that are used in the automatic acquisition, storage, analysis, evaluation, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information by the agency; where
- B. such services or equipment are ' used by an agency' if used by the agency directly or if used by a contractor under a contract with the agency that requires either use of the services or equipment or requires use of the services or equipment to a significant extent in the performance of a service or the furnishing of a product.
- C. The term " information technology" includes computers, ancillary equipment (including imaging peripherals, input, output, and storage devices necessary for security and surveillance), peripheral equipment designed to be controlled by the central processing unit of a computer, software, firmware and similar procedures, services (including provisioned services such as cloud computing and support services that support any point of the lifecycle of the equipment or service), and related resources.
- D. The term " information technology" does not include any equipment that is acquired by a contractor incidental to a contract that does not require use of the equipment."³³

Information technology resources are also defined by OMB in M-15-14 and includes:

- A. "Agency budgetary resources, personnel, equipment, facilities, or services that are primarily used in the management, operation, acquisition, disposition, transformation, or other activity related to the lifecycle of information technology;
- B. Acquisitions or interagency agreements that include information technology and the services or equipment provided by such acquisitions or interagency agreement; but
- C. Does not include grants to third parties which establish or support information technology not operated directly by the Federal Government."³⁴

³³ <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/memoranda/2015/m-15-14.pdf>

³⁴ <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/memoranda/2015/m-15-14.pdf>

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