Description of document: Farm Credit Administration (FCA) Management Advisories issued by the Office of Inspector General (OIG) 2018, 2020

Requested date: February 2020

Release date: 26-March-2020

Posted date: 15-June-2020

Source of document: Freedom of Information Act Officer
Farm Credit Administration
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From: Agans, Autumn <AgansA@fca.gov>
Cc: Agans, Autumn <AgansA@fca.gov>
Sent: Thu, Mar 26, 2020 1:41 pm
Subject: FOIA Request - OIG Management Advisories

This letter is in response to your Freedom of Information Act, 5 U.S.C. § 552 (FOIA), request to the Farm Credit Administration (FCA or Agency). You requested a copy of each Management Advisory, Management Advisory Memorandum, and Management Advisory Report produced by the Farm Credit Administration Office of Inspector General since January 1, 2017, and a printout of the listing of Management Advisories, Management Advisory Memoranda, and Management Advisory Reports issued by the Farm Credit Administration OIG since January 1, 2010.

We conducted a thorough search of the Agency's records and located 2 documents responsive to your request, which are enclosed with redactions pursuant to Exemption 6. Exemption 6 protects from mandatory disclosure information about individuals, "the disclosure of which would constitute a clearly unwarranted invasion of personal privacy." This exemption has been interpreted broadly to apply to all information about a particular individual. If there is a protected privacy interest, the public interest in disclosure must be weighed against the privacy interest in nondisclosure.

The Office of Inspector General notes, "The attached DOC contains a listing responsive to the second part of the request. Included in the list—in addition to management advisories—are OIG "observations" that were issued during the requested timeframe. Our office no longer produces documents under this moniker, but they were similar in substance to management advisories."

The fees associated with the request were de minimis and are waived.
For your information, Congress excluded three discrete categories of law enforcement and national security records from the requirements of FOIA. See 5 U.C.S. § 552(c) (2006 & Supp. IV (2010)). This response is limited to those records that are subject to the requirements of the FOIA. This is a standard notification that is given to all our requesters and should not be taken as an indication that excluded records do, or do not, exist.

I trust this information fully satisfies your request. If you need further assistance or would like to discuss any aspect of your request, please do not hesitate to contact me at 703.883.4082 or AgansA@fca.gov. FCA's FOIA Public Liaison is also available for assistance at FOIAPublicLiaison@fca.gov.

If you choose to appeal this response to your request, the appeal should be in writing and addressed to the Director, Office of Agency Services, Farm Credit Administration, 1501 Farm Credit Drive, McLean, VA 22102-5090 or email FOIAappeal@fca.gov. Both the letter and envelope should be clearly marked "FOIA Appeal." Appeals must be postmarked or electronically transmitted within 90 days of the date of the response to your request.

You may also contact the Office of Government Information Services (OGIS) at the National Archives and Records Administration (NARA) to inquire about the FOIA mediation services they offer. The contact for OGIS is as follows: Office of Government Information Services, National Archives and Records Administration, 8601 Adelphi Road – OGIS, College Park, Maryland, 20740-6001; email at ogis@nara.gov; telephone at (202) 741-5770; toll free at 1-877-684-6448; or facsimile at (202) 741-5769.

Sincerely,

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CONFIDENTIAL AND SENSITIVE INFORMATION

Farm Credit Administration Office of Inspector General
Advisory Memorandum 18-01
Compensation Policy

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CONFIDENTIAL AND SENSITIVE INFORMATION

Farm Credit Administration

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

April 17, 2018

To: FCA Chairman Tonsager and Board Members Hall and Smith

Through: Wendy Laguarda, Inspector General, Office of Inspector General

From: Sonya Cerne, Senior Auditor, Office of Inspector General

Subject: OIG Advisory Memorandum 18-01, Compensation Policy

The Farm Credit Administration Compensation Policy

This advisory memorandum discusses the pay exception and grade and pay retention aspects of the Farm Credit Administration's (FCA or Agency) compensation policy and suggests actions to be considered by the Agency to ensure a fair, consistent, and transparent process.

Background

The Farm Credit Act of 1971, as amended, (Act) authorizes the FCA Chairman to "set and adjust the rates of basic pay for employees of the Administration without regard to the provisions of chapter 51, or subchapter III of chapter 53, of Title 5, United States Code. The Chairman may provide such additional compensation and benefits to employees of the Administration as is necessary to maintain comparability with the total amount of compensation and benefits provided by other Federal bank regulatory agencies."[1]

In addition, the Agency has several Policies and Procedure Manuals (PPMs) that address aspects of the Agency's compensation program, with the following guidance that is most pertinent to this advisory:

- PPM 802, *Pay Administration*
- PPM 803, *FCA Merit Promotion Plan and Internal Placemen*t
- PPM 804, *Farm Credit Administration Compensation Program*
- PPM 819, *FCA Position Management and Job Evaluation Program*

[1] Section 5.11(c)(2)(A) of the Farm Credit Act of 1971, as amended (Act).

The Agency's compensation program policy and implementing procedures can be found in PPM 804, *Farm Credit Administration Compensation Program*. PPM 804 outlines the Agency's compensation program objectives as follows:

- To compensate employees at the average market rate paid by the other Federal bank regulatory agencies (FBRAs).
- Effectively attract, retain, and motivate employees.
- Seek to achieve and maintain comparability in compensation and benefits with the other FBRAs.
- Provide base salary compensation at the average market rate provided by the other FBRAs.
- Provide locality pay differentials that are reasonably comparable to those provided by the other FBRAs.
- Adjust pay on the basis of individual performance and position in the salary range, without regard to any nonmerit factors.
- Inform employees about compensation policies and program developments annually, in conjunction with salary adjustments.

The FCA Board annually approves the performance-based compensation program for employees. FCA utilizes a merit matrix when establishing the annual compensation program. According to PPM 804, the merit matrix is a pay distribution instrument, generated by a software program created by FCA, which establishes salary adjustments based on performance ratings and position in the salary range. The matrix determines the employee's annual adjustment as a percentage of pay.

Designation of Chief Human Capital Officer (CHCO) Duties

In addition to the PPMs, the Agency also designated the Office of Agency Services (OAS) Director as the CHCO. Although the law does not require FCA to have a CHCO, FCA Chairs have appointed CHCOs since 2003, shortly after the enactment of the Chief Human Capital Officers Act of 2002.[2] FCA's Designation 18 sets forth the following CHCO functions:

[2] The *Chief Human Capital Officers Act of 2002*, enacted as part of the *Homeland Security Act of 2002* (Pub. L. No. 107-296) on November 25, 2002, required the heads of 24 Executive Departments and agencies to appoint or designate Chief Human Capital Officers (CHCOs). Each CHCO serves as his or her agency's chief policy advisor on all human resources management issues and is charged with selecting, developing, training, and managing a high-quality, productive workforce.

Setting the workforce development strategy of the agency	Assessing workforce characteristics and future needs based on the Agency's mission and strategic plan	Aligning the agency's human resources policies and programs with organization mission, strategic goals, and performance outcomes
Developing and advocating a culture of continuous learning to attract and retain employees with superior abilities	Identifying best practices and benchmarking studies	Applying methods for measuring intellectual capital and identifying links of that capital to organizational performance and growth

Pay Exceptions

The Act specifically allows for flexibilities within the FCA compensation program to maintain comparability with compensation and benefits at the other federal financial regulatory agencies. Each pay band spans across a wide salary range. The following shows the pay bands for base salaries for the 2018 compensation program:

Base Salary Range Structure

Grade	First Quintile		Second Quintile		Third Quintile		Fourth Quintile		Fifth Quintile	
45	186,075	210,264	210,265	234,453	234,454	258,645	258,646	282,834	282,835	307,024
44	161,663	182,678	182,679	203,693	203,694	224,711	224,712	245,726	245,727	266,742
43	142,860	160,640	160,641	179,120	179,121	197,602	197,603	216,082	216,083	234,563
42	124,257	140,410	140,411	156,563	156,564	172,717	172,718	188,870	188,871	205,024
41	108,609	122,728	122,729	136,847	136,848	150,967	150,968	165,086	165,087	179,205
40	94,931	107,272	107,273	119,612	119,613	131,954	131,955	144,294	144,295	156,636
39	82,976	93,763	93,764	104,549	104,550	115,337	115,338	126,123	126,124	136,910
38	72,525	81,953	81,954	91,381	91,382	100,809	100,810	110,237	110,238	119,666
37	63,393	71.634	71,635	79,875	79,876	88,117	88,118	96,358	96,359	104,599
36	55,410	62,613	62,614	69,816	69,817	77,020	77,021	84,223	84,224	91,426
35	48,430	54,726	54,727	61,022	61,023	67,318	67,319	73,614	73,615	79,910
34	42,331	47,834	47,835	53,337	53,338	58,841	58,842	64,344	64,345	69,847
33	37,002	41,812	41,813	46,622	46,623	51,432	51,433	56,242	56,243	61,053
32	35,237	39,818	39,819	44,398	44,399	48,980	48,981	53,560	53,561	58,141
31	33,562	37,924	37,925	42,287	42,288	46,651	46,652	51,014	51,015	55,377
30	31,963	36,118	36,119	40,273	40,274	44,429	44,430	48,584	48,585	52,739

PPM 804 provides for a pay exception process, stating, "The Chairman and CEO may approve requests from Office Directors for exceptions to this policy based on a recommendation from the Director, OMS[3] that they believe the application of provisions in this PPM results in a

[3] OMS refers to the former Office of Management Services. Effective April 2016, OMS was split into the Office of the Chief Financial Officer, Office of Agency Services (OAS), and the Office of Information Technology. Human Resources was aligned under OAS and the Director of OAS serves as the Chief Human Capital Officer.

compensation determination that conflicts with the overall program objectives." The implementing procedures of PPM 804 permit an administrative exception to the compensation procedures *in rare circumstances* when a supervisor believes that application of existing program provisions results in a compensation determination that conflicts with one or more of the compensation program objectives.[4] Exceptions to the compensation policy must be approved by the FCA Board Chair acting in the capacity of the Chief Executive Officer (CEO).

Based on the language of the PPM, exceptions may only be considered when a situation deviates from the Agency's compensation policy. For example, under the policy, a promotion comes with a 10 percent increase in salary or adjustment to the new range minimum for the grade, whichever is greater. Hence, a standard promotion would not meet the requirements of needing an exception. If the Agency wants to increase an employee's salary by more than those amounts, an exception would be needed. An exception also would be required to raise an employee's salary without a promotion, annual merit increase, or locality adjustment.

To understand the Agency's process and implementation of the exceptions, we reviewed documentation for pay exceptions over the last ten years. The Office of Agency Services (OAS) provided us with a listing of pay exceptions documented from January 1, 2008 to February 28, 2018.[5] OAS's information disclosed that 30[6] exceptions had been granted during that timeframe, as follows.

Employee	**Effective Date**	**Office when exception occurred**	**Excepted Increase in Pay**[7]	**Grade at time of exception**	**Justification on exception paperwork**
(b) (6) [redacted]	9/26/2010	[redacted]	$ 15,806	VH-44	Higher level of responsibility
[redacted]	11/6/2011	[redacted]	$ 25,000	VH-44	Increase in duties and responsibilities

[4] Section 11 of the implementing procedures in PPM 804.

[5] The OAS did not maintain an overall listing of pay exceptions from 2008 to present. We were unable to verify that the listing of 30 exceptions was all inclusive and relied on the expertise of the human resources staff for the information. We corroborated our evidence with interviews and documentation; however, there remains a risk that not all pay exceptions were in the listings given to us by OAS.

[6] The total number includes each pay exception. Four individuals in the list received two different pay exceptions. These pay exceptions were counted separately.

[7] This amount includes only excepted pay totals. If an employee was promoted, the amount shown is only the amount given over the allowable promotion increase stated in PPM 804. For example, if an employee received a promotion and an increase of 10 percent, it would not be in this chart. If the employee received 15 percent, only the five percent excepted amount would be in the total in this chart. The total pay includes locality.

(b) (6) [redacted]	12/18/2011	[redacted]	$ 9,555	VH-42	Increase in duties and responsibilities
[redacted]	6/30/2013	[redacted]	$ 16,518	VH-42	Pay more comparable to responsibilities and peers
[redacted]	1/26/2014	[redacted]	$ 7,919	VH-44	Increase pay to peers
[redacted]	9/21/2014	[redacted]	$ 8,342	VH-41	Increase pay to peers
[redacted]	1/11/2015	[redacted]	$ 13,219	VH-41	Increase pay to peers
[redacted]	1/11/2015	[redacted]	$ 10,993	VH-41	Comparative pay to FHFA economist and increased responsibility
[redacted]	7/9/2015	[redacted]	$ 11,505	VH-42	Increase pay to peers and predecessor
[redacted]	7/26/2015	[redacted]	$ 16,709	VH-42	Increase pay to peers
[redacted]	8/9/2015	[redacted]	$ 10,694	VH-39	Increase pay to peers
[redacted]	12/27/2015	[redacted]	$ 12,051	VH-43	Increase pay to peer and pay freeze consequence
[redacted]	12/27/2015	[redacted]	$ 11,395	VH-43	Increase pay to peer and pay freeze consequence

(b) (6) [redacted]	1/10/2016	[redacted]	$ 17,760	VH-35	Market rate of pay
[redacted]	3/6/2016	[redacted]	$ 25,079	VH-44	Increase pay to peers and market rate
[redacted]	5/1/2016	[redacted]	$ 26,872	VH-43	Increase pay to peers
[redacted]	6/26/2016	[redacted]	$ 6,618	VH-40	Increase pay to peers and depth of experience
[redacted]	7/10/2016	[redacted]	$ 9,431	VH-41	Increase pay to peers
[redacted]	11/27/2016	[redacted]	$ 14,837	VH-38	New position with increased responsibilities
[redacted]	11/27/2016	[redacted]	$ 7,565	VH-41	Scope and Agency-wide impact of work
[redacted]	12/25/2016	[redacted]	$ 8,807	VH-44	Increase pay to peers
[redacted]	12/25/2016	[redacted]	$ 8,243	VH-43	Increase pay to peers
[redacted]	12/25/2016	[redacted]	$ 8,662	VH-44	Increase pay to peers
[redacted]	12/25/2016	[redacted]	$ 7,273	VH-43	To compensate for unintended consequence of promotion

(b) (6) [redacted]	12/25/2016	[redacted]	$ 1,907	VH-44	Increase pay to peers
[redacted]	7/23/2017	[redacted]	$ 6,905	VH-40	Increase pay to peers and scope of work
[redacted]	8/20/2017	[redacted]	$ 15,133	VH-42	Increase pay to peers
[redacted]	8/27/2017	[redacted]	$ 3,225	VH-43	Depth of experience
[redacted]	12/10/2017	[redacted]	$ 23,297	VH-43	Higher level of duties
[redacted]	1/22/2018	[redacted]	$ 25,317	VH-39	Increase pay to peers

We found that the Agency generally followed PPM 804 for pay exceptions. The Agency's process entailed a memorandum sent from the Chief Human Capital Officer with details of the exception requesting the Board Chair approval.[8] For most of the pay exceptions, we clearly saw the approval granted by the Board Chair as outlined in PPM 804.

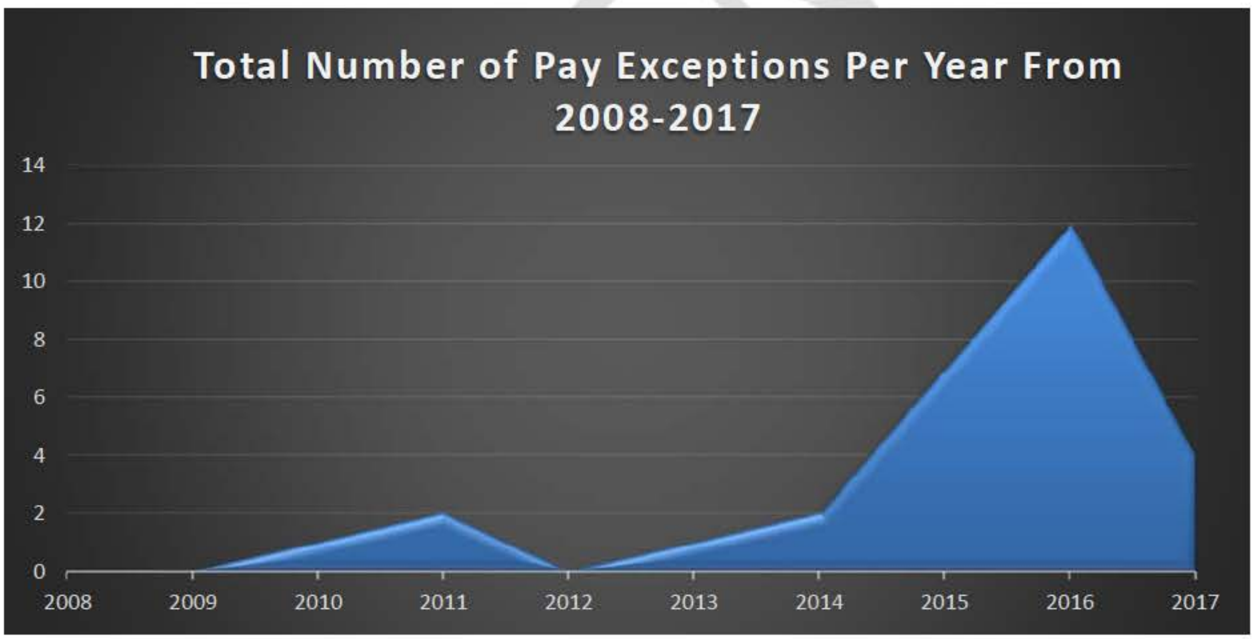
Based on the documentation given to us from OAS, for 4 of the 30 pay exceptions, approval documentation was unclear, although there was obvious communication. In one case, there was an email chain from the Chief Operating Officer to the CHCO saying the Board Chair approved the request, but the memorandum was not signed. Another exception showed an email chain from the Board Chair's Executive Assistant to the CHCO saying the Board Chair approved, with copies to the Board Chair and Chief Operating Officer, but this memorandum also was not signed. In another example, the pay exception was approved by a Board Member, other than the Board Chair. There was a final exception documented from the former Inspector General to the CHCO, but the documentation did not show the Board Chair's approval. As noted above, the other 26 exceptions followed the pattern of documenting the pay exception with Board Chair approval through a memorandum.

[8] This process changed as the CHCOs changed. For the earlier years in our sample, the Board Chair issued the memorandum to the CHCO. In later years, the memorandum generally went from the Director of OMS (also serving as the CHCO) to the Board Chair, or from the OAS Director (also serving as the CHCO) through the Chief Operating Officer to the Board Chair. The approving authority always resided with the Board Chair in the various formats.

PPM 804 also states, "The Director, OMS will provide an annual report to the CEO on all exceptions made under the PPM and the implementing procedures." However, we found that the Agency is not following this requirement.

The Agency makes pay exceptions to the compensation policy for a variety of reasons. The most cited reason in our sample justified the increase based on pay parity. That is, the increase was made to align an employee's salary with the pay of those in the same grade. For example, an employee in grade VH-40 would be given a pay increase exception to make such employee's pay comparable to other VH-40s. Of the 30 pay exceptions granted, 20 exceptions listed pay parity as the only reason, or one of multiple reasons, for the exception. Other reasons for granting pay exceptions included: recognizing new duties and responsibilities, making pay comparable to market rates, recognizing an employee's impact on the Agency or depth of experience, and correcting an unintended consequence of a promotion that did not include a merit increase.[9]

We also found that the use of the exception process has dramatically increased in recent years, according to OAS documentation. For example, as noted in the chart below, there were more exceptions made in 2016 and 2017 than in the previous eight years combined[10].



Pay Increases Due to Position Restructurings

The Agency has numerous other compensation factors to consider that are affected by pay exceptions. One such type of increase to pay surfaced during our review of exceptions. In addition to pay increases from pay exceptions under PPM 804, two employees were recently

[9] This justification stated "FCA's 2017 compensation program did not provide merit salary increases to executives to manage growth in senior executive salaries."

[10] It is important to note that over the period in our scope, there were several types of initiatives affecting compensation implemented by the various administrations that may have impacted FCA's use of pay exceptions.

given pay increases based on a restructuring of their positions.[11] In both instances, the employees received prior pay exceptions, one in January 2016 and another in November 2016. Effective January 2018, both individuals were then placed in new grades (VH-37 for one and VH-42 for the other).

According to the documentation, the VH-37 employee entered on duty at the Agency in May 2015 as a VH-35 employee. In January 2016, this employee was given a pay exception of $17,760. This employee's position was restructured to a grade VH-37 in January 2018[12]. The individual's adjusted salary (from $57,361 in January 2016 to $103,617 at present) is now ranked the third highest in the VH-37 pay grade, according to the personnel retrieval system, even though the individual just entered the grade in January 2018 and has been at the Agency less than three years. Of note, the other two individuals with a high salary at the VH-37 level entered the grade in 1992 and 2003. Because the individual had received a $15,000 pay exception at an earlier grade before the position reclassification, the salary is higher than others who have been in grade VH-37 for much longer.

The employee at the VH-42 level was given a pay exception in late 2016 based on her impact on the Agency. This increased the employee's pay by about $7,565, without a promotion. In January 2018, this person's position was restructured to the VH-42 level with adjusted pay of $245,580. This places the employee's salary, at the VH-42 level, higher than the three principal deputy office directors in the Agency (Office of Examination, Office of General Counsel, and Office of Regulatory Policy), who are at a full grade level (grade VH-43) above this employee. This also places the employee as one of the fifteen highest paid employees in the Agency (ranking 13th on the list of highest paid FCA employees). Because of the pay exception and subsequent position restructuring, this employee has a salary much higher than other grade VH-42s employees and most grade VH-43s.

Complications from Pay Exceptions

The use of pay exceptions has far reaching impacts on the overall compensation program, as discussed below.

Performance Based Pay

The Agency utilizes a merit-based system to reward higher performers in the performance rating system with higher increases in pay. A higher performer who is consistently rated as such would have a noticeably higher salary over time in comparison to a lower-rated employee. Using pay parity to justify salary exceptions appears contrary to a pay-for-performance compensation policy.

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[11] We are addressing these two instances because we initially thought they these were pay exceptions. However, OAS identified these actions as restructuring the positions. We did not research further into the justification or documentation of such restructurings, which would normally be undertaken in accordance with PPM 819, *FCA Position Management and Job Evaluation Program.* We only analyzed the positions in terms of the pay exception consequences.

[12] We did not review documentation to see if the individual received a promotion between January 2016 and January 2018 to the VH-36 level before the restructuring.

Limits to the Pay-for-Performance System

The Agency's pay-for-performance system, like the General Schedule compensation system, also recognizes decreases in merit-based salary increases over time in the grade. Under the General Schedule system, which has 10 steps in each grade, employees receive step increases more frequently when they first enter a grade and less frequently the longer they remain in the grade. At some point, employees will top out in their grade, which mean unless they receive a promotion, their salary will rise based only on cost-of-living increases or other adjustments, such as locality pay.

Both the General Schedule and FCA's compensation system retain the principle of awarding longevity in Government service. That is, employees *in the same grade* with longer years of Government service generally are paid more than employees with less Government seniority. This is generally true notwithstanding FCA's pay-for-performance system. Like the General Schedule, under FCA's merit matrix, where each grade is separated into quintiles, employees in the lower quintiles receive higher raises than those in the higher quintiles. Government tenure is not recognized when pay exceptions within grade are based on pay parity.

Finally, when a pay exception for an employee is granted within grade, this increases an employee's future compensation should that individual be promoted, often creating an anomaly of the employee's pay in the new grade, as noted in our foregoing examples.

Fairness and Consistency

It is important that there be a consistent and fair approach to pay exceptions. Based on our review, some offices, such as the Office of Examination, use pay exceptions very sparingly. Other offices use pay exceptions more frequently, especially to bring employees with less longevity to pay parity with employees in the same grade. As noted earlier, the justification of pay parity for raising an employee's pay within a grade runs contrary to the principles of merit pay and longevity in Government service.

Moreover, although PPM 804 allows for compensation flexibilities and pay exceptions, it does not provide specific criteria for implementing pay exceptions, leaving the decisionmakers wide latitude to determine exceptions. Adding more specific criteria and additional controls over the process, including reviews to ensure fairness and consistency in Agency-wide application, would increase the integrity of the process.

Transparency

Federal government salaries, including FCA salaries, are posted in the public domain.[13] Hence, FCA employees can know what other employees at the Agency are earning. Having a fair, consistent, and transparent approach to compensation encourages high morale and ensures that the Agency is not embracing favoritism or individual bias relating to compensation decisions.

[13] https://www.fedsdatacenter.com/federal-pay-rates/ and https://www.federalpay.org/employees are two examples of federal employee salary locator websites.

Grade and Pay Retention

We also reviewed how grade and pay retention provisions have been applied in the Agency, although we note that there is limited documentation on the subject. Pay and grade retention can occur with changes to an employee's position. The Agency's PPM 804 specifically addresses grade and pay retention in terms of reductions in grade resulting from a job evaluation or reduction-in-force actions. PPM 804 is guided by the provisions for grade and pay retention as set forth in 5 U.S.C §§ 5362 and 5363, as well as 5 C.F.R. Part 536. Section 8 of PPM 804 states the following:

> "Grade Retention: Any FCA employee whose position is reduced in grade as a result of a job evaluation under PPM 819, and whose position was classified at the higher grade for a continuous period of at least 1 year before the reduction in grade, is entitled to have the grade of such position before reduction be treated as the retained grade of such employee for the 2-year period beginning on the date the position is reduced in grade.
>
> Any FCA employee who has served in a position or a higher-grade position for at least 1 year, and who is placed in a lower grade position as a result of a reduction-in-force under PPM 817, is entitled to retain for 2 years the grade of the position he or she held immediately before the reduction in force. The 2-year period begins on the date of placement to the lower grade position.
>
> For the 2-year grade retention periods described above, the retained grade of FCA employees shall be treated as the grade of the employee's position for all purposes (including pay and pay administration, retirement, life insurance and eligibility for training and promotion).
>
> Termination of retained grade: The foregoing provisions of this section shall cease to apply to any FCA employee who:
>
> (1) Has a break in service of one (1) workday or more;
> (2) Is demoted for personal cause or at the employee's request;
> (3) Is placed in, or declines a reasonable offer of, a position the grade of which is equal to or higher than the retained grade; or
> (4) Elects in writing to have the benefits of this section terminate.
>
> Pay Retention: Any FCA employee who ceases to be entitled to a retained grade by reason of the expiration of the 2-year period described above is entitled to retain his or her pay until such time as the employee's pay falls within the range of the grade assigned.
>
> Termination of retained pay: Pay retention shall cease to apply to an FCA employee who:
>
> (1) Has a break in service of 1 workday or more.

(2) Is entitled to a rate of basic pay that is equal to or greater than the employee's retained rate;
(3) Declines a reasonable offer of a position the rate of basic pay for which is equal to or higher than, the rate to which the employee is entitled under this section; or
(4) Is demoted for personal cause or at the employee's request."

Throughout our discussions with the last three CHCOs and human resources personnel, we were only able to find one documented situation with pay retention under the circumstances listed in PPM 804 (other than those identified in the section below). This one instance was a unique circumstance in which the individual signed a settlement agreement with the Agency after a proposed reduction-in-force in 2013.

Office of the Board Positions

We identified inconsistencies with PPM 804 regarding the grade and pay retention practices for Office of the Board positions. In accordance with general Agency practice, Executive Assistants (EAs) serving the Board Chair are at the VH-43 level and EAs serving board members are at the VH-42 level. Similarly, Special Assistants (SAs) serving the Board Chair are generally at the VH-39 level and SAs serving board members are generally at the VH-38 level. Although not documented in the same way, several Office of the Board employees have retained their grades and/or pay.

- In one instance, a former EA (in a Schedule C position) was downgraded to a VH-42 position after no longer serving as EA to the Board Chair and has been able to retain pay at the VH-43 level. The individual is now on a detail to the Office of Congressional and Public Affairs from the Office of the Board at the VH-42 level.
- A previous EA (FCA permanent employee) to the Board Chair was given a temporary promotion for a detail to the Office of the Board as an EA. The individual was temporarily promoted to the VH-41 and VH-42 levels while serving as an EA. We note that this employee was not temporarily promoted to a VH-43 position even when he served as EA to the Chair. The promotion and the detail specifications were documented through SF-50s and a decision memorandum. This employee returned to an Agency position at the VH-41 level after serving as EA and did not retain the VH-42 grade or pay.
- Two SAs who had served Board Chairs in VH-39 positions were able to retain their grades at the VH-39[14] level even after no longer serving as SA to the Board Chair. One of these SAs was promoted in [redacted] to the VH-39 when the board member she served became FCA Chair, and she has retained her VH-39 grade and pay even after no longer serving a Board Chair. The other SA, who temporarily returned to the Agency to work for a board member, was paid at the VH-39 level instead of the VH-38 level that has been the typical grade for such a position.

[14] As of March 2018, there were two individuals that were in the personnel system as Special Assistants to Board members. It is our understanding, based on discussions held, that one of the positions is temporary, and an additional employee began a detail as a special assistant in the Office of the Board.

- The current SA to the Board Chair remains in a VH-38 grade. Rather than promoting her to the VH-39 grade when the board member she served became FCA Board Chair, she was granted a pay exception to make her pay comparable to a VH-39 grade with her additional responsibilities.

The very nature of the FCA Board positions is temporary, given their term limits under the Act. Therefore, the EAs and SAs serving the Board members are not guaranteed to remain in their grade and pay positions for their tenure at the Agency, especially in supporting roles of the Board Chair. We recognize that there are special hiring authorities, such as Schedule C and Schedule A appointments, in the Office of the Board positions, in addition to the flexibilities regarding pay and compensation that the Agency enjoys under the Act. However, while PPM 804 specifically addresses pay and grade retention under reductions resulting in job evaluations and reductions-in-force, there is nothing in the PPM addressing other specific reasons for pay and grade retention. Such retention provisions for rotating positions, such as those occupied by EAs and SAs, can produce long term anomalies and inconsistencies in the Agency's overall compensation program.

Actions to Consider

While we understand the need for a compensation program that is flexible, the Agency should consider additional controls over the compensation process to ensure that pay exceptions and pay and grade retention policies are adequately justified, consistently and fairly applied, and in furtherance of FCA's pay-for-performance compensation system.

To that end, the Agency should consider the following actions:

- Including an Office of General Counsel review to address the potential legal risks and application of pay exceptions and pay and grade retention.
- Requiring the CHCO to make recommendations on whether pay parity increases should continue in a pay for performance system and, if so, how the concept will be applied Agency-wide.
- Updating PPM 804 to reflect the current organizational structure (OAS vs. OMS) and titles (COO vs. Chief of Staff), and to further identify the criteria for granting pay exceptions and grade and pay retention outside job evaluation and reductions-in-force provisions.
- Evaluating whether the annual reporting of pay exceptions to the FCA Board, as required by PPM 804, will be reinitiated or removed from the policy and procedures.
- Giving special consideration to a review of Office of the Board EA and SA positions given their rotating nature.

We are available to discuss this memorandum at your request.

Farm Credit Administration Office of Inspector General

Management Advisory reports issued, January 2010 to March 2020

Report No.	Title/Subject	Date Issued
2018-01	The Farm Credit Administration Compensation Policy	Apr. 17, 2018
2017-01	Contracting and Adherence to FCA Policy Statement 68	Dec. 8, 2016
2015-03	Eligibility to Participate in FCA 401(k) Plan	Sept. 16, 2015
2015-02	Federal Records Act Amendments on Personal Emails and Text Messages as Federal Records	April 16, 2015
2015-01	Suspension and Debarment	Dec. 18, 2014
2014-02	Farm Credit Administration's Interest Reserve	May 29, 2014
2014-01	Need for Independent, Objective Oversight of the Farm Credit System Insurance Corporation	May 7, 2014
2013-01	Conference Expenses – Reporting Requirements to OIGs by Agency Heads P.L. 113-6	May 1, 2013
M-12-01	Survey of the Farm Credit Administration's Use of Social Media	Sept. 12, 2012
Observation 2012-01	The Need for Independent, Objective Oversight of the Farm Credit System Insurance Corporation by a Statutorily Designated Inspector General	Oct. 28, 2011
N/A	IG Reporting Relationship to the FCA Board	Jan. 5, 2011
Observation 2010-03	1) FCSIC and 2) FCA's Prior Approval of Funding Corporation Debt Issuances	Mar. 24, 2010