



November 15, 2023

The Honorable Joseph R. Biden
President of the United States
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear Mr. President:

The Farm Credit System Insurance Corporation (Corporation or FCSIC) is pleased to submit this report addressing the requirements of the Federal Managers' Financial Integrity Act of 1982 (FMFIA or Integrity Act).

FCSIC is an independent U.S. Government-controlled corporation. The Corporation's primary purpose is to insure the timely payment of principal and interest on insured debt obligations issued on behalf of Farm Credit System (System) banks. The System is a nationwide government-sponsored enterprise of privately owned banks and affiliated associations that serve agricultural producers and related entities. By protecting investors, FCSIC helps to maintain a dependable source of funds for the farmers, ranchers, and other borrowers of the System. As of September 30, 2023, investors held approximately \$405 billion in System debt obligations.

The Corporation administers the Farm Credit Insurance Fund (the Insurance Fund), which is invested in the U.S. Department of the Treasury securities and collects annual insurance premiums from System banks. Congress directed the Corporation to maintain the Insurance Fund at a "secure base amount." The secure base amount is defined as 2 percent of the aggregate of outstanding insured debt obligations of all insured banks, adjusted to exclude certain government-guaranteed loans and investments. The balance of the Insurance Fund at September 30, 2023 was \$7.2 billion or 2.05 percent of the adjusted outstanding insured System debt obligations.

In order to minimize the Insurance Fund's exposure to potential losses, FCSIC actively monitors and manages insurance risk by regularly reviewing key ratios and financial trends throughout the System and, if necessary, the FCSIC Board of Directors may authorize a special examination of a troubled institution. In addition to maintaining the Insurance Fund, the Corporation has other mandatory and discretionary statutory responsibilities, including: providing assistance to System banks suffering financial difficulties by providing loans or contributions, purchasing

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assets and debt securities, assuming liabilities, and facilitating consolidations and mergers; regulating golden parachute and indemnification payments; and serving as conservator or receiver of any System bank or association when appointed by the board of the Farm Credit Administration (FCA).

FCSIC management provides an annual report to the Executive Branch and Congress attesting to the adequacy of its management control systems pursuant to the Federal Managers' Financial Integrity Act and the implementation guidelines from the Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. The FCSIC Board of Directors and management are responsible for ensuring that FCSIC has a system of internal controls that provides reasonable assurance that it achieves the following:

- Effective and efficient operations
- Reliable financial reporting
- Compliance with applicable laws and regulations

As part of Management's process for assessing internal controls, we review and test all key controls that are identified as important to operations, reporting, and compliance. In addition to selecting samples and performing testing in accordance with applicable standards, we also review controls performed by third-party service providers to ensure that they are adequate. Based on the results of the assessment, the Corporation can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2023.

Congress has not provided an inspector general for the Corporation, which currently operates with 10 full-time equivalent positions. To fulfill its audit requirements, FCSIC's Board of Directors has adopted an Internal Control and Audit Coverage Policy that requires the services of an independent public accounting firm. The Corporation's independent auditor, Clifton Larson Allen (CLA) performs a special purpose audit for the federal government's fiscal year-end at September 30th and a second audit for FCSIC's fiscal year-end at December 31st. For FCSIC's fiscal year-end audit, the independent auditor expresses an opinion on FCSIC's financial statements and internal controls over financial reporting. The board serves as the audit committee and reviews the scope of both external audits.

In the prior year, BDO USA, LLP (BDO) was FCSIC's auditor and at the end of FCSIC's 2022 fiscal year-end audit, the board received the Independent Auditor's Report from BDO that stated the financial statements presented fairly, in all material respects, the Corporation's financial position as of December 31, 2022, and that FCSIC maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022. No material weaknesses in internal controls were identified in the audit report. Our new auditor should complete their work for the December 31, 2023 audit by the end of February 2024.

In addition to FCSIC's fiscal year-end audit that was completed for December 31, 2022, our new independent auditor, CLA, completed a special purpose audit of the Corporation's federal

government financial statements and related notes for the federal government's year-ending September 30, 2023. The special purpose audit was performed in accordance with OMB Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements* to ensure compliance with the U.S. Department of the Treasury's Financial Manual Volume I, Part 2, Chapter 4700. To complete the audit, CLA reviewed the Corporation's financial statements and the internal controls over financial reporting to ensure the Corporation's special purpose financial statements and related note disclosures, which are submitted to the U.S. Department of the Treasury for consolidation in the Financial Report of the United States Government, were presented accurately. The Independent Auditor's Report for the federal government's fiscal year-ending September 30, 2023, concluded that the special purpose financial statements fairly presented the Corporation's financial position. In planning and performing their audit of the special purpose financial statements, CLA did not identify any material weaknesses or significant deficiencies in our internal controls.

If there are any questions regarding this consolidated report, please contact Andrew Grimaldi, Chief Financial Officer at (703) 883-4383.

Respectfully,



Jeffery S. Hall
Chairman of the Board



Glen R. Smith
Chairman, Audit Committee